Industry Super Holdings Pty Ltd

ABN: 71 119 748 060

Annual Financial Report

For the financial year ended 30 June 2017

Industry Super Holdings Pty Ltd

Annual Financial Report
for the financial year ended 30 June 2017

General Information

Australian Business Number
71 119 748 060

Directors

G Weaven	(Chair)
M Migro	
L Rubinstein	

Company Secretary
J Lim

Auditors
Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

Registered office
Level 29, Casselden
2 Lonsdale Street
Melbourne VIC 3000

Country of incorporation
Australia

Country of domicile
Australia

Industry Super Holdings Pty Ltd

Annual financial report
for the financial year ended 30 June 2017

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Industry Super Holdings Pty Ltd

Directors' report
for the financial year ended 30 June 2017

The directors of Industry Super Holdings Pty Ltd ("ISH" or "the Company") submit herewith the annual financial report (financial report) of the Group (being the Company and its subsidiaries) for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors
The names of the directors of the Company during or since the end of the financial year are:
G Weaven (Chair)
M Migro
L Rubinstein

Principal activities
The principal activities of the Group during the financial year comprised:
- providing services to Australian based superannuation funds and to fund members; and
- management of a range of equity and debt portfolios.

Dividends
No dividends have been paid or declared since the start of the financial year (2016: $nil). The directors do not recommend the payment of a dividend in respect of the financial year ended 30 June 2017.

Review of operations and results
The ISH Group grew over the year with assets under management increasing by 32.5% to $94,047 million (2016: 22.2%, $70,989 million). Total comprehensive income after tax for the year was $23,467 thousand (2016: $17,309 thousand), which was in line with expectations.

Review of operations by business segment

	The New Daily *		Industry Super Australia		Industry Fund Services		IFM Holdings	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Key financial information								
Revenue	1,109	-	22,004	21,952	40,324	45,440	268,690	211,098
Expenses	3,819	95	22,001	21,948	38,659	44,560	243,522	194,756
Net profit/(loss) after tax	(2,710)	(95)	3	4	1,665	880	25,168	16,342
Staff numbers (Full time equivalent)	1	1	20	19	171	186	305	273

* Controlling interest in The New Daily Pty Ltd was obtained on 21 Jun 2016, contributing a prior year after tax loss of $95 thousand to this segment.

	The New Daily		Industry Super		Industry Fund		IFM Holdings	
	2017	2016	2017	2016	2017	2016	2017	2016
	$millions	$millions	$millions	$millions	$millions	$millions	$millions	$millions
Product Breakdown (i)								
Retail funds management	-	-	-	-	1,191	1,249	-	-
Wholesale funds management	-	-	-	-	-	-	92,856	69,740
	-	-	-	-	1,191	1,249	92,856	69,740

(i) Includes both funds under management and on-balance sheet exposures

Likely developments and expected results
In the opinion of the directors, disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations would prejudice the Group's interests. Accordingly, this information has not been included in this report.

Significant events
There were no significant changes in the state of affairs of the Group during the financial year.

Subsequent events

The Board of Super Members Investments Limited “SMI” (Industry Fund Services’ wholly owned subsidiary) has resolved to transfer the IRIS Superannuation Fund to HESTA by way of a successor fund transfer, subject to certain conditions being met. HESTA was selected following a competitive tender. Accordingly, 2017/18 will be the last year that SMI operates as the trustee of the IRIS Superannuation Fund. This is not material to the Group profit.

There has been no other matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company and it's subsidiaries ("the consolidated entity"), the results of those operations, or the state of affairs of the consolidated entity.

Corporate governance statement

The Group's approach to corporate governance is based on the belief that in order to encourage the long term growth of the Group and meet the interests of stakeholders, it is important to address the relationships between Board, executive management, shareholders, customers, the community and regulators through appropriate policies and processes. The Board's approach is cognisant of the Australian Council of Superannuation Investors Corporate Governance Guidelines and other best practice guides to ensure that the Group's governance standards meet both industry and community expectations. The Board remains committed to achieving the highest standard of internal corporate governance wherever appropriate.

Board Composition

The composition of the Board is determined in accordance with the Company's Constitution. The experience of the current Board is set out below:

Garry Weaven (Chair)
BEc (Hons), Dip Ed
Non-executive Director
Garry is the founding Executive Chair of Industry Fund Services (1994) and chairs IFM Investors Pty Ltd and the group holding company, Industry Super Holdings, as well as The New Daily (thenewdaily.com.au). He is also a former Independent Director and past Chair of ME and was a foundation member of Melbourne’s Docklands Authority and Infrastructure Australia. As ACTU Assistant Secretary in the 1980s, Garry played a seminal role in the development of the industry superannuation fund movement and was the founding Chair of a number of today’s leading funds before leaving the ACTU to take on a range of consultancies in the early 1990s. Garry is a member of the Board Investment Committee and the Board People and Remuneration Committee for IFM Investors.

Michael Migro
BBus
Non-executive Director
Michael’s extensive career in funds management and financial services spans 35 years. His experience has been gained in both Australia and the US. Michael has had significant leadership responsibilities in various capacities as Head of Business Strategy (BT Funds Management), Joint Managing Director (Westpac Financial Services), CEO (Perpetual Funds Management and Principal Global Investors Australia), and more recently in the US as COO (Principal Global Investors) and President and Chief Operating Officer (Post Advisory Group LLC). Michael is a Director of Industry Super Holdings as well as a Director of Industry Fund Services, the leading provider of financial products and advice services to industry superannuation funds in Australia, and is on the Investment Committee of the Steve Waugh Foundation Australia. He joined the board of IFS Insurance Services in April 2014, an entity that provides insurance solutions to industry superannuation funds and Australian corporate clients. Michael is Chair of both the Board Audit and Risk Committee and the Board People and Remuneration Committee and is a member of the Board Investment Committee for IFM Investors. Michael is also the Chair of the Remuneration Committee and a member of the Audit Risk & Compliance Committee of Industry Fund Services.

Linda Rubinstein
LLB (Hons), BA
Non-executive Director
Linda has extensive industry fund experience. She served on IFM's Investment Advisory Board and was the Chair of the Australian Government Employees Superannuation trust (AGEST) until its merger with AustralianSuper. Linda had long period of employment with the ACTU, where her responsibilities included industrial legislation and superannuation, and at different times was appointed to the boards of HOSTPLUS and Cbus. Linda was a director of Superpartners prior to its sale, and is currently Chair of Industry Fund Services and a member of its Remuneration Committee, and Audit Risk and Compliance Committee, and a Director of IFS Insurance Solutions. Linda is a member of the Board Audit and Risk Committee and the Board Investment Committee for IFM Investors.

Indemnification and insurance of directors, officers and auditors

During the financial year, the Group paid a premium in respect of a contract insuring the directors of the Group (as shown above), against a liability incurred as a director, to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Auditor independence

The auditor's independence declaration is included on page 4 of the annual report.

Non-audit services

Non-audit services were provided by the Group's auditor as disclosed in note 21 to the financial statements.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

Director

London, England 24 October 2017

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

24 October 2017

The Board of Directors
Industry Super Holdings Pty Ltd
Level 29, Casselden Place
2 Lonsdale Street
Melbourne VIC 3000

Dear Board Members

Industry Super Holdings Pty Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Industry Super Holdings Pty Ltd.

As lead audit partner for the audit of the financial statements of Industry Super Holdings Pty Ltd for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of Industry Super Holdings Pty Ltd

Opinion

We have audited the accompanying financial report of Industry Super Holdings Pty Ltd (the "Group"), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration as set out on pages 8 to 45.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Group, would be in the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of the Directors for the Financial Report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Deloitte.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 24 October 2017

Directors' declaration
for the financial year ended 30 June 2017

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and the consolidated entity; and

(c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as noted in note 2.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

Director

London, England 24 October 2017

Industry Super Holdings Pty Ltd

Statement of financial position
as at 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Assets			
Cash and cash equivalents	16(a)	48,405	47,725
Trade and other receivables	7	154,245	88,633
Investments	6	78,940	64,950
Derivatives	17	1,929	100
Investment in joint venture		1,600	-
Capitalised expenses	8	-	122
Deferred tax assets	5	15,277	-
Other assets	10	6,079	6,281
Related party receivables		220	-
Plant and equipment	8	5,571	5,314
Intangible assets	9	47,561	48,395
Total assets		359,827	261,520
Liabilities			
Trade and other payables	11	17,433	15,123
Derivatives	17	2	496
Payable to joint venture		1,600	-
Current tax liabilities	5	17,767	2,138
Deferred tax liabilities	5	-	4,949
Provisions	12	172,788	111,445
Total liabilities		209,590	134,151
Net assets		150,237	127,369
Equity			
Issued capital	13	56,564	57,163
Foreign currency translation reserve		2,680	1,894
Retained earnings		90,993	68,312
Total equity		150,237	127,369

Notes to the financial statements are included on pages 13 to 45

Industry Super Holdings Pty Ltd

Statement of profit and loss and other comprehensive income
for the financial year ended 30 June 2017

		Consolidated	
	Note	**2017 $'000**	**2016 $'000**
Income			
Interest income	4	631	649
Income from funds management and trustee services	4	326,301	278,230
Other income	4	4,143	1,572
Gain on acquisition of The New Daily		-	512
Change in fair value of investments		276	(1,862)
Total operating income		331,351	279,101
Expenses			
Operating expenses	4	297,385	252,802
Total expenses		297,385	252,802
Profit / (loss) before income tax		33,966	26,299
Income tax expense/(benefit)	5	11,285	9,003
Profit / (loss) for the year		22,681	17,296
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences	4	786	13
Total other comprehensive income, net of income tax		786	13
Total comprehensive income for the year from continuing operations		23,467	17,309
Profit / (loss) for the year attributable to owners of the parent		22,681	17,311
(Loss) / profit for the year attributable to non-controlling interests		-	(15)
Total profit / (loss) for the year		22,681	17,296
Total comprehensive income for the year attributable to owners of the parent entity		23,467	17,324
Total comprehensive income for the year attributable to non-controlling interests		-	(15)
Total comprehensive income for the year		23,467	17,309

Notes to the financial statements are included on pages 13 to 45

Industry Super Holdings Pty Ltd

Statement of changes in equity
for the financial year ended 30 June 2017

	Consolidated						
	Share capital $'000	Retained earnings $'000	Minority interest reserve $'000	Foreign currency translation reserve $'000	Attributable to equity holders of the parent entity $'000	Non-controlling interest $'000	Total $'000
Balance at 1 July 2015	57,163	53,490	(2,700)	1,881	109,834	362	110,196
Profit / (Loss) for the year	-	17,311	-	-	17,311	(15)	17,296
Other comprehensive income for the year	-	-	-	13	13	-	13
Dividend paid	-	-	-	-	-	(152)	(152)
Minority interest reserve	-	(2,700)	2,700	-	-	-	-
Non-controlling Interest - The Bond Market	-	211	-	-	211	(195)	16
Balance at 30 June 2016	57,163	68,312	-	1,894	127,369	-	127,369
Balance at 1 July 2016	57,163	68,312	-	1,894	127,369	-	127,369
Profit / (Loss) for the year	-	22,681	-	-	22,681	-	22,681
Other comprehensive income for the year	-	-	-	786	786	-	786
Return of capital	(599)	-	-	-	(599)	-	(599)
Balance at 30 June 2017	56,564	90,993	-	2,680	150,237	-	150,237

Notes to the financial statements are included on pages 13 to 45

Industry Super Holdings Pty Ltd

Statement of cash flows
for the financial year ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Interest received		708	932
Management and service fee income received		263,138	231,079
Other income received		1,735	248
Payments for expenses		(235,252)	(189,283)
Income tax (payments)/receipts		(15,535)	(5,270)
Net cash provided by / (used in) operating activities	16(b)	14,794	37,706
Cash flows from investing activities			
Net increase in fixed and intangible assets		(2,894)	(1,789)
Net increase in investments in IFS Insurance Solutions Pty Ltd		-	(2,685)
Net increase in investments		(10,830)	(28,085)
Dividends paid		-	(152)
Cash & Cash equivalent acquired at acquisition of The New Daily		-	2,949
Net cash used in investing activities		(13,724)	(29,762)
Cash flows from financing activities			
Return of capital		(599)	-
Net cash flow arising from related parties		46	(3,254)
Net cash used in financing activities		(553)	(3,254)
Net increase in cash and cash equivalents		517	4,690
Cash and cash equivalents at the beginning of the financial year	16(a)	47,725	42,991
Cash acquired in obtaining control of IFM Microcap Fund		156	-
Effects of exchange rate changes on the balance of cash held in foreign currencies		7	44
Cash and cash equivalents at the end of the financial year	16(a)	48,405	47,725

Notes to the financial statements are included on pages 13 to 45

1 General Information

Industry Super Holdings Pty Ltd ("Industry Super Holdings", "ISH", or "the Company") is a proprietary company limited by shares incorporated in Australia. The address of the Company's registered office is 29th floor Casselden, 2 Lonsdale Street, Melbourne, VIC 3000.

The Group consists of the Company and its subsidiaries, IFM Holdings Pty Ltd (IFM Holdings), Industry Fund Services Pty Ltd (Industry Fund Services), Industry Super Australia Pty Ltd (ISA) and The New Daily Pty Ltd (The New Daily).

The Group is involved in the provision of fund management services, financial services, on-line news, government relations, policy, marketing and research.

2 Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report comprises the consolidated financial statements of the Group and the Company.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 24 October 2017.

Basis of preparation

For the purposes of preparing the financial statements, the Group is a for-profit entity. The financial report has been prepared on the basis of historical cost, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a Company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The amendments to the Corporations Act in June 2010 removed the requirement to prepare parent entity financial statements where consolidated financial statements are prepared. The Company has adopted the general relief available under ASIC Class Order 10/654 to include parent entity financial statements in the notes to the financial reports.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

2 Significant accounting policies (continued)

Application of new and revised Accounting Standards

(i) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments to AASB 116 Property, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to AASB 138 Intangible Assets introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances: (a) When the intangible asset is expressed as a measure of revenue, or (b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. As the Group already uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively, the application of these amendments has had no impact on the Group's consolidated financial statements.
AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements	The amendments to AASB 127 Separate Financial Statements, allow an entity to account for investment in subsidiaries, joint ventures and associates in separate financial statements: - At cost - In accordance with AASB 9 Financial instruments (or, where AASB 9 is not applied, AASB 139 Financial Instruments: Recognition and Measurement), or - Using the equity method as described in AASB 128 Investments in Associates and Joint Ventures. The Group has continued to account for its investments in subsidiaries, joint ventures and associates at cost in its separate financial statements.
AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	The amendments impact various Accounting Standards which are summarised below: - The amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued. - The amendments to AASB 7 Financial Instruments: Disclosures remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. - The amendments to AASB 119 Employee Benefits clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there are no deep markets in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. - The amendments to AASB 134 Interim Financial Reporting make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

2 Significant accounting policies (continued)

Application of new and revised Accounting Standards (continued)

Standards affecting presentation and disclosure (continued)

AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is sufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other Accounting Standards: (a) Will not be reclassified subsequently to profit or loss, (b) Will be reclassified subsequently to profit or loss when specific conditions are met.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reported results or financial position.

(ii) Standards and Interpretations in issue not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. These are not expected to have any material impact on the Company's financial report in future reporting periods.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers, 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards - Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards - Clarifications to AASB 15	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2017-2 Amendments to Australian Accounting Standards - Further annual Improvements to Australian Accounting Standards 2014-2016 Cycle	1 January 2017	30 June 2018
AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018	30 June 2019
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)	1 January 2017	30 June 2018

2 Significant accounting policies (continued)

Standards and Interpretations affecting the reported results or financial position (continued)

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year
AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (AASB 10 & AASB 128), 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128	1 January 2018	30 June 2019

At the date of authorisation of the financial statements, there are no International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee (IFRIC) Interpretations that were in issue but not yet effective.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities. Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling in excess of the non-controlling's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling has a binding obligation and is able to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Foreign currency

The individual financial statements of each Group entity are presented in Australian dollars. For the purpose of the consolidated financial statements, the results and financial position of each entity is expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

2 Significant accounting policies (continued)

(c) Foreign currency (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as a non-income tax expense;

(ii) for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(e) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

<u>Net interest income</u>

Interest income arising from loans and deposits is brought to account using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period.

<u>Funds management fee income</u>

Funds management fee income is recognised in accordance with the entitlement to fees for management services provided.

<u>Dividend revenue</u>

Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

(f) Income tax

<u>Current tax</u>

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

<u>Deferred tax</u>

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2 Significant accounting policies (continued)

(f) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

<u>Current and deferred tax for the period</u>

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity or other comprehensive income, in which case the deferred tax is also recognised directly in equity or other comprehensive income, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

<u>Tax consolidation</u>

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The Company is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘stand alone taxpayer’ approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Further information about the tax funding arrangement is detailed in note 5. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(g) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are netted against cash where the overdrafts are part of series of accounts that are linked and assessed on an aggregate balance.

(h) Financial assets

Investments are recognised and derecognised on settlement date, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at fair value in the Company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

Other financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘available-for-sale’ financial assets, ‘loans and receivables’ and 'held-to-maturity'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those financial assets ‘at fair value through profit or loss’.

2 Significant accounting policies (continued)

(h) Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

(i) has been acquired principally for the purpose of selling in the near future;
(ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
(iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 17.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 17. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve through other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments has been established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and advances

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables include residential home loans, commercial loans, personal loans, credit cards, overdrafts and fund management fees receivable. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Note 2(i) provides additional information with respect to loan impairment.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(i) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at least annually. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the reporting date ("a loss event") and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

For loans and receivables and other financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances where the carrying amount is reduced through the use of an allowance account. When a loan is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2 Significant accounting policies (continued)

(i) Impairment of financial assets (continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in other comprehensive income.

(j) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Computer equipment	2 - 3 years
Fixtures & Fittings	4 - 10 years
Motor vehicles	3 - 5 years

(k) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

<u>Group as lessor</u>

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

<u>Group as lessee</u>

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2 Significant accounting policies (continued)

(k) Leased assets (continued)

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(l) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

(m) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. The Group does not recognise internally generated goodwill.

The following useful lives are used in the calculation of amortisation:
Capitalised software development - 3 years (2016: 3 years)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses, on the same basis as intangible assets acquired separately.

2 Significant accounting policies (continued)

(n) Impairment of long-lived assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(o) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

The provision for employees' benefits in respect of long service leave represents an accrual for those employees that have been employed by the same company within the Group for a period of five years or longer. The amount is the present value of the amounts owed as at the reporting date to employees that have been with the same company within the Group greater than three years.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(q) Financial instruments

<u>Debt and equity instruments</u>

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

<u>Financial liabilities</u>

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities.

2 Significant accounting policies (continued)

(q) Financial instruments (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 18.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(r) Derivative Financial Instruments

The Group uses derivatives such as foreign exchange swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Other operating revenue'.

(s) Receivables

Trade receivables, loans and other receivables are measured at amortised cost using the effective interest method less impairment.

(t) Payables

Trade and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of good and services.

(u) Investments in associates and joint ventures

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have right to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unamimous consent of the parties sharing control.

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. In this regard, management believes that the critical accounting policies where judgement is necessarily applied are those which relate to loan impairment, impairment of intangibles and valuation of financial instruments.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Valuation of investments in controlled entities

The Company engages an external valuer to form a view on the value of the Group on an annual basis. The external valuer forms their view based on their commercial assessment of the future prospects for the business by using business plans provided by management that include assumptions and estimates of expected earnings and expenses. These estimates and underlying assumptions are reviewed on an ongoing basis. Refer to note 26 for further information on the values of controlled entities.

Performance fee accruals

Included in management fees are performance fees that are payable if the fund achieves a return above a percentage threshold. These performance fees are payable to IFM as the manager. Fund returns are subject to asset specific performance risks, such as operating performance and the level of discount rates used in asset valuations, which are influenced by the risk free interest rates and currency movements. The exposure to these risks result in uncertainty on the portfolio return and hence the actual performance fee that will be payable. The directors have performed an assessment and taken into account the current year proportion of the fair value of performance fees payable in future years. Assumptions and judgements regarding the future performance of the funds were used to determine amounts to take up as a receivable in the current financial year. Included in salaries are Special Incentive Scheme ("SIS") accruals that are calculated as a percentage of the performance fees payable and management fees, and are therefore subject to the judgement and estimates used in determining performance fees. The Group used high quality corporate bond rates for discounting for the year ending 30 June 2017.

Impairment of intangibles

Determining whether goodwill or intangible assets with indefinite useful lines are impaired requires an estimation of the value in use of the cash-generating units to which goodwill or intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of the impairment testing are provided in note 9.

Fair value of derivatives and other financial instruments

Management uses their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

4 Revenue and expenses from continuing operations

	Consolidated 2017 $'000	Consolidated 2016 $'000
The profit before income tax includes the following items of revenue and expense:		
Interest income		
Deposits with other financial institutions	631	649
	631	649
Income from funds management and trustee services		
Management and servicing fees	326,301	278,230
Other income		
Other income	4,143	1,572
Gain on acquisition of The New Daily	-	512
	4,143	2,084
Change in fair value of investments		
Change in fair value of investments	276	(1,862)
	276	(1,862)
Total operating income	331,351	279,101
Operating expenses		
Staff and related costs	210,956	176,937
General administrative expenses	74,040	63,667
Depreciation, amortisation or impairment in value of:		
- Plant and equipment	2,046	4,252
- Intangibles	2,029	287
Operating lease rental expenses	8,314	7,659
Due diligence costs	-	-
Total operating expenses	297,385	252,802
Share of loss of associates		
Share of loss of associates	-	-
Total expenses	297,385	252,802
Other comprehensive income		
Change in fair value of subsidiaries (net of tax)		
Foreign exchange differences	786	13
Total other comprehensive income	786	13

5 Income taxes

	Consolidated 2017 $'000	Consolidated 2016 $'000
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense in respect of the current year	11,790	9,107
Adjustments recognised in the current year in relation to the current tax of prior years	(565)	16
Write-downs of deferred tax assets	-	-
Franking Credits Receivable	(45)	(126)
Deferred tax expense relating to the origination and reversal of temporary differences and tax losses	105	6
Deferred tax expense relating to the origination and reversal of temporary differences and tax losses through other comprehensive income	-	-
Total tax expense / (benefit)	11,285	9,003

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2017 $'000	2016 $'000
Profit/(loss) from operations	34,752	26,299
Income tax expense / (benefit) calculated at 30%	10,427	7,890
Effect of expenses / (income) that are not deductible / (assessable) in determining taxable profit	108	23
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,360	1,207
Effect of changes in tax laws	-	-
Franking Credits Receivable	(45)	(126)
Adjustments recognised in the current year in relation to the current tax of prior years	(565)	9
Income tax expense / (benefit) recognised in profit or loss	11,285	9,003

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on the taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting year.

Income tax recognised directly in other comprehensive income from continuing operations
The following deferred amounts were credited directly to other comprehensive income during the year:

	2017 $'000	2016 $'000
Current tax assets and liabilities		
Tax (payable) / refund receivable attributable to:		
Parent entity	220	233
Entities in the tax-consolidated group	(194)	7,039
Other entities (i)	(17,793)	(9,410)
	(17,767)	(2,138)

(i) Other entities reflect tax payable or refund receivable from subsidiaries of the Company that are not members of the tax consolidated group.

Industry Super Holdings Pty Ltd

Notes to the financial statements
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5 Income taxes (continued)

Deferred tax balances

Deferred tax assets / (liabilities) arise from the following:

2017	Consolidated				
	Opening balance $'000	Acquired Operations $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Closing balance $'000
Temporary differences					
Exchange differences on foreign operations	(322)		-	(849)	(1,171)
Investment in unit trusts	(392)		(182)	-	(574)
Income receivable	(23,598)		7,189	-	(16,409)
Derivatives	68		(770)	-	(702)
Other debtors	87		-	-	87
Fair value through profit and loss financial assets	357		-	-	357
Prepayments	-		-	-	-
Accrued expenses	3,671		(2,431)	-	1,240
Provisions	15,180	(12)	17,281	-	32,449
	(4,949)	(12)	21,087	(849)	15,277

2016	Consolidated				
	Opening balance $'000	Acquired Operations $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Closing balance $'000
Temporary differences					
Exchange differences on foreign operations	(241)	-	-	(81)	(322)
Investment in unit trusts	(158)	-	(234)	-	(392)
Income receivable	(9,926)	-	(13,672)	-	(23,598)
Derivatives	(51)	-	119	-	68
Other debtors	87	-	-	-	87
Fair value through profit and loss financial assets	297	-	60	-	357
Prepayments	-	-	-	-	-
Accrued expenses	1,356	-	2,315	-	3,671
Provisions	7,599	12	7,569	-	15,180
	(1,037)	12	(3,843)	(81)	(4,949)

5 Income taxes (continued)

Tax Consolidation

Relevance of tax consolidation to the Group

The Company and its wholly owned Australian resident subsidiaries have formed a tax-consolidated group with effect from 1 January 2007 and are therefore taxed as a single entity from that date. The Company is the head entity within the tax-consolidated group. The members of the tax-consolidated group are identified at note 15.

Nature of tax funding arrangement and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

	Consolidated	
	2017	2016
6 Investments	$'000	$'000
Financial assets at fair value through profit and loss		
Units in investment trusts	78,940	64,950
	78,940	64,950
Maturity analysis:		
Not longer than 3 months	44,973	55,942
Longer than 3 months but not longer than 1 year	-	-
Longer than 1 year but not longer than 5 years	-	-
Longer than 5 years	33,967	9,008
	78,940	64,950

7 Trade and other receivables

	2017	2016
Management and service fee income receivable (i)	142,477	84,930
Interest receivable (ii)	-	20
Other receivables (iii)	11,768	3,683
	154,245	88,633

(i) Management and service fee income receivable is non-interest bearing.
(ii) Interest receivable relates to interest on cash balances
(iii) Other receivables are non-interest bearing and are generally receivable on demand.

8 Plant and equipment

	Consolidated				
	Capitalised costs (i) $'000	Motor vehicles $'000	Computer equipment $'000	Fixed assets $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2015	3,546	34	815	13,169	17,564
Additions	-	-	82	891	973
Disposals	-	(34)	(87)	(27)	(148)
Balance at 30 June 2016	3,546	-	810	14,033	18,389
Additions	-	-	296	1,894	2,190
Disposals	(3,546)	-	(272)	(984)	(4,802)
Balance at 30 June 2017	-	-	834	14,943	15,777
Accumulated depreciation					
Balance at 1 July 2015	3,301	22	282	7,055	10,660
Depreciation expense	123	12	171	2,171	2,477
Assets fully depreciated	-	(34)	(87)	(63)	(184)
Balance at 30 June 2016	3,424	-	366	9,163	12,953
Depreciation expense	122	-	201	1,723	2,046
Assets fully depreciated	(3,546)	-	(199)	(647)	(4,392)
Effect of foreign currency exchange differences	-	-	-	(401)	(401)
Balance at 30 June 2017	-	-	368	9,838	10,206
Net book value					
As at 30 June 2016	122	-	444	4,870	5,436
As at 30 June 2017	-	-	466	5,105	5,571

(i) Capitalised costs comprise expenditure incurred in establishing the Industry Fund Portfolio Service.

9 Intangible assets

	Consolidated				
	Goodwill $'000	Insurance contracts $'000	Management rights $'000	Computer software $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2015	1,251	200	42,958	11,811	56,220
Additions	-	-	-	747	747
Disposals	-	-	-	(1,903)	(1,903)
Balance at 30 June 2016	1,251	200	42,958	10,655	55,064
Additions	-	-	-	1,179	1,179
Balance at 30 June 2017	1,251	200	42,958	11,834	56,243
Accumulated amortisation / impairment					
Balance at 1 July 2015	124	160	-	6,225	6,509
Amortisation / impairment expense	124	40	-	1,899	2,063
Written back on disposal	-	-	-	(1,903)	(1,903)
Balance at 30 June 2016	248	200	-	6,221	6,669
Amortisation / impairment expense	124	-	-	1,905	2,029
Effect of foreign currency exchange differences	-	-	-	(16)	(16)
Balance at 30 June 2017	372	200	-	8,110	8,682
Net book value					
As at 30 June 2016	1,003	-	42,958	4,434	48,395
As at 30 June 2017	879	-	42,958	3,724	47,561

Allocation of goodwill and management rights to cash generating units

Goodwill and management rights have been allocated for impairment testing purposes to individual cash generating units as indicated.

	Goodwill		Management rights	
Cash generating unit	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Industry Fund Services	879	1,003	-	-
IFM Investors Pty Ltd	-	-	42,958	42,958
	879	1,003	42,958	42,958

The carrying amount of intangible assets assessed as having an indefinite useful life allocated to the cash generating unit of IFM Investors Pty Ltd is considered significant in comparison with the total carrying amount of intangible assets with an indefinite useful life in total. The carrying amount of intangible assets allocated to other cash generating units is not considered significant.

<u>Management rights - Industry Funds Management</u>

IFM Investors Pty Ltd earns management fee income in relation to various investment mandates that it holds.

Management rights are assessed as having an indefinite useful life as the funds under management to which the management rights relate are predominantly invested in long lived infrastructure assets and / or are related to investment mandates which management expects would be renewed by the entity without significant cost.

The recoverable amount of the management rights allocated to the IFM Investors Pty Ltd cash generating unit is assessed for impairment by comparing the funds under management for those investment mandates acquired as at the date of acquisition with the funds under management for the same clients as at balance date.

Management believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

10 Other assets

	Consolidated	
	2017 $'000	**2016 $'000**
Prepayments	4,113	4,889
Other assets	1,966	1,392
	6,079	6,281

11 Trade and other payables

	Consolidated 2017 $'000	Consolidated 2016 $'000
Creditors and accruals (i)	16,887	14,672
Non-income taxes payable	546	451
	17,433	15,123

(i) Creditors and accruals are non-interest bearing and generally settle on normal business terms.

12 Provisions

	2017 $'000	2016 $'000
Employee benefits (i)	172,666	111,199
Other provisions (ii)	122	246
	172,788	111,445

(i) Employee benefits are expected to be settled within a year with the exception of provisions for long service leave which amount to $447 thousand (2016: $788 thousand) and long term incentive payments which amount to $108,861 thousand (2016: $47,581 thousand).

(ii) Other provisions relates to a 'make good' obligation from operating lease (premises).

13 Issued capital

Movement in issued capital of fully paid ordinary shares

	2017 $'000	2016 $'000
Balance at the beginning of the financial year	57,163	57,163
Return of capital during the financial year	(599)	-
Balance at the end of the financial year	56,564	57,163

Changes to the then Corporations law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Movement in number of fully paid ordinary shares

	2017	2016
Balance at the beginning of the financial year	845,249	845,249
Issued / (buyback) during the financial year	(937)	-
Balance at the end of the financial year	844,312	845,249

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company, in proportion to the amounts paid on the shares held. Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the company.

14 Dividends

No dividends have been paid or declared since the start of the financial year (2016: $nil). The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2017.

Franking account balance

	Company 2017 $'000	Company 2016 $'000 Restated
Franking account balance at July 1	33,568	32,284
Tax paid / (refunded)	7,266	1,284
Franking account balance at 30 June	40,834	33,568

The ISH Franking Account is calculated as part of the ISH Tax Consolidated Group for IFM Holdings, IFS, ISA and TND.

Industry Super Holdings Pty Ltd

Notes to the financial statements
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15 Controlled entities

	Notes	Country of Incorporation	Ownership Interest 2017	Ownership Interest 2016
Parent Entity				
Industry Super Holdings Pty Ltd	(a)	Australia		
Subsidiaries				
Industry Super Australia Pty Ltd	(b)	Australia	100%	100%
The New Daily Pty Ltd	(b)	Australia	100%	100%
Industry Fund Services Limited	(b)	Australia	100%	100%
Industry Funds Management (Nominees 2) Pty Ltd	(b)	Australia	100%	100%
Industry Funds Investments Ltd	(b)	Australia	100%	100%
Super Member Investments Limited	(b)	Australia	100%	100%
IFS Insurance Solutions Pty Ltd		Australia	100%	65%
Industry Fund Financial Services Pty Ltd	(b)	Australia	100%	100%
IFM Holdings Pty Ltd	(b)	Australia	100%	100%
IFM Fiduciary Pty Ltd	(b)	Australia	100%	100%
IFM Fiduciary No 2 Pty Ltd	(b)	Australia	100%	100%
IFM Investors Pty Ltd	(b)	Australia	100%	100%
IFM Investors (UK) Limited		UK	100%	100%
IFM Investors (Japan) Pty Ltd	(b)	Australia	100%	100%
IFM Investors (Japan), LLC	(b)	USA	100%	100%
SBLB Pty Limited	(b)	Australia	100%	100%
IFM Global Infrastructure (Canada) GP, Inc		Canada	100%	100%
IFM Global Infrastructure (UK) GP Ltd		UK	100%	100%
IFM Investors (HK) Ltd		Hong Kong	100%	100%
IFM Investors (Korea) Pty Ltd	(b)	Australia	100%	0%
IFM Investors (US), LLC		USA	100%	100%
IFM Investors (US) Advisor, LLC		USA	100%	100%
IFM (US) Securities, LLC		USA	100%	100%
IFM Global Infrastructure (US) GP, LLC		USA	100%	100%
Industry Funds Management (Nominees) Limited	(b)	Australia	100%	100%
NSW Rent Buy Pty Limited	(b)	Australia	100%	100%

(a) Industry Super Holdings Pty Ltd is the head entity within the tax-consolidated group.
(b) These companies are members of the Industry Super Holdings Pty Ltd tax-consolidated group.

Investment in unit trusts

	Country of Incorporation	2017	2016
IFM Investors Pty Ltd			
IFM SIS	Australia	100%	100%
IFM Australian MicroCap Fund	Australia	100%	100%
IFM Active Equities Extended Alpha	Australia	100%	100%
IFM Asia Pacific Market Neutral Wholesale Fund	Australia	100%	100%
IFM Asia Pacific Market Neutral Feeder Fund Ltd	Cayman Islands	100%	100%
IFM Active Equities Core	Australia	0%	100%

Investment in joint venture

	Country of Incorporation	2017	2016
IFM Investors Pty Ltd			
ISPT / IFM	Australia	50%	0%

16 Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Cash and cash equivalents - continuing operations		
Cash at bank	43,221	37,707
Deposits at call	5,184	10,018
Total Cash and Cash Equivalents	48,405	47,725

(b) Reconciliation of profit for the year to net cash flows from operating activities before changes in operating assets and liabilities for continuing operations

Profit / (loss) for the year	23,467	17,309
Add / (deduct) non-cash items:		
Depreciation and amortisation	(3,037)	(2,981)
Net foreign exchange loss	925	1,311
Unrealised (gain) / loss on investment	(1,987)	538
Unrealised (gain) on acquisition of TND	-	(512)
Other	3,515	3,929
(Increase) / decrease in assets:		
Trade and other receivables	1,055	1,556
Management and service fee income receivable	(66,467)	(45,660)
Interest receivable	-	5
Other assets	776	353
Derivative assets	(2,322)	(476)
Increase / (decrease) in liabilities:		
Trade and other payables	2,208	1,913
Provisions	61,282	54,154
Increase / (decrease) in current tax liability	15,606	(357)
(Increase) / decrease in deferred tax balances	(20,227)	3,924
Decrease in minority interest reserve	-	2,700
	14,794	37,706

17 Financial instruments

The following table details the group's financial assets and financial liabilities:

	Consolidated	
	2017	2016
	$'000	$'000
Financial assets		
Cash and cash equivalents	48,405	47,725
At fair value through profit or loss:		
- Held for trading	61,059	23,508
- Designated as at fair value through profit or loss	78,940	64,950
Loans and receivables	154,245	88,633
	342,649	224,816
Financial liabilities		
At fair value through profit or loss:		
- Held for trading	59,132	23,904
Amortised cost	35,200	17,261
	94,332	41,165

The Group's principal financial assets/liabilities comprise of cash and cash equivalents, investments in unit trusts and listed equities, derivative assets/liabilities.

The Group has various other financial instruments such as receivables and payables, which arise directly from its operations.

Fair value of financial instruments

Fair value represents the amount for which an asset could be exchanged or a liability settled in an arms-length transaction between willing parties.

Quoted market prices are used as the measure of fair value. Where quoted market prices are not available, fair values are based on valuation techniques using observable market data.

The estimates of fair value are subjective and involve the exercise of judgement. Changes in assumptions used could have a material impact on the amounts disclosed. As a result, it is difficult to make reasonable comparisons of the Group to other financial institutions due to the wide range of valuation techniques and numerous estimates that must be made.

Valuation techniques and assumptions applied for the purposes of measuring fair value

- Available-for-sale financial assets are measured at fair value by reference to quoted market prices when available (e.g. listed securities). If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.
- The fair value of fixed rate loans are estimated by reference to current market rates offered on similar loans.
- The fair value of medium term notes and subordinated debt are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair value of derivative financial instruments is estimated based on quoted market rates adjusted for specific features of the instrument.

17 Financial instruments (continued)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Consolidated			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2017				
Financial assets at fair value through profit or loss				
Units in investment trusts	44,909	63	33,967	78,939
Derivative instruments	-	61,059	-	61,059
	44,909	61,122	33,967	139,998
Financial liabilities at fair value through profit or loss				
Derivative instruments	-	59,130	-	59,130
	-	59,130	-	59,130

There were no transfers between levels 1, 2 and 3 during the period.

	Consolidated			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2016				
Financial assets at fair value through profit or loss				
Units in investment trusts	55,901	42	9,008	64,951
Derivatives instruments	-	23,508	-	23,508
	55,901	23,550	9,008	88,459
Financial liabilities at fair value through profit or loss				
Derivatives instruments	-	23,408	-	23,408
	-	23,408	-	23,408

There were no transfers between levels 1, 2 and 3 during the period.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

Reconciliation of Level 3 fair value measurement

	Consolidated	
	2017 $'000	2016 $'000
Opening balance	9,008	8,158
Gains through profit and loss	(728)	791
Applications	25,687	59
Closing balance	33,967	9,008

17 Financial instruments (continued)

Effects of offsetting on the statement of financial performance

The following table discloses the gross derivative financial instruments and the amounts that are offset to enable users to evaluate the effect of netting arrangements on the Group's financial position.

	Gross amounts of financial assets	Gross amounts set off	Net amount presented
	$'000	$'000	$'000
Financial assets			
2017			
Derivative financial instruments	61,059	59,130	1,929
Total	61,059	59,130	1,929
2016			
Derivative financial instruments	23,508	23,408	100
Total	23,508	23,408	100
Financial liabilities			
2017			
Derivative financial instruments	59,132	59,130	2
Total	59,132	59,130	2
2016			
Derivative financial instruments	23,904	23,408	496
Total	23,904	23,408	496

18 Risk Management

Overview

Risk is the chance of an event occurring that will have an impact on business objectives. Risk may have a positive or negative impact. The nature of the Group's business involves the explicit and implicit acceptance of some degree of risk resulting in outcomes or actions that cannot be predicted with absolute assurance.

The following types of risks are applicable to the operations of the Group:

- credit risk;
- market risk;
- liquidity risk; and
- operational risk.

In addition, the Group is also exposed to Strategic risk, that is the risk related to the failure of, or ineffective execution of, the strategic initiatives of the Group. Business plans of the operating entities consider competitive threats, industry threats, economic environment threats, government policy, misallocating scarce resources and organisational sustainability, capability and profitability.

The Board has approved a General Policy on Risk Management which forms the basis of specific risk management policies that are established by the Boards of each of the subsidiary groups; IFM Holdings, Industry Fund Services, Industry Super Australia and The New Daily.

Responsibility for implementation of specific risk management policies is delegated by the Boards of each subsidiary group to the respective CEO's who in turn establish management committees, where appropriate, to assist them in the execution of their delegated responsibilities. The Boards of each subsidiary group may also delegate oversight of risk management to a Board risk sub committee. Credit, in the context of the Group's investment activities, is the provision of funds on agreed terms and conditions to a debtor or counterparty who is obliged to repay the amount borrowed or received.

18 Risk Management (continued)

(a) Credit risk

Credit risk arises as a consequence of contractual and/or contingent financial transactions between the provider and the user of funds (the counterparty). Financial loss results when a counterparty fails to fully honour the terms and conditions of its obligations.

Credit risk loss levels can vary from expected levels due to a number of factors such as:

- failing to develop and implement sound and prudent credit policies to effectively manage and control these risks;
- inadequate credit granting, documentation, facility management and collection procedures;
- failure to manage problem credits effectively.

Sound credit risk management involves establishing an appropriate credit risk strategy, maintaining a sound credit granting process, maintaining appropriate credit administration, measurement and monitoring processes and ensuring adequate controls over credit risk are in place for prudently managing the risk and reward relationship throughout the entire credit life cycle. The Group's credit risk management policies seek to effectively manage the impact of credit risk-related events.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Maximum exposure to credit risk

The carrying amount of financial assets recorded in the financial statements, net of any provisions for impairment, represents the Group's maximum exposure to credit risk.

Credit quality of financial assets

The table below shows the credit quality by class of financial asset for credit exposures:

	Consolidated					
	Neither past due nor impaired					
	Investment grade $'000	Unrated $'000	Past due $'000	Impaired $'000	Provision for loan impairment $'000	Total $'000
2017						
Investments						
- At fair value through profit or loss	-	78,940	-	-	-	78,940
- Trade and other receivables	-	154,245	-	-	-	154,245
	-	233,185	-	-	-	233,185

	Consolidated					
	Neither past due nor impaired					
2016	Investment grade $'000	Unrated $'000	Past due $'000	Impaired $'000	Provision for loan impairment $'000	Total $'000
Investments						
- At fair value through profit or loss	-	64,950	-	-	-	64,950
- Trade and other receivables	-	88,633	-	-	-	88,633
	-	153,583	-	-	-	153,583

18 Risk Management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in accessing funds to meet commitments. The Group has controls in place to ensure obligations can be met by maintaining a minimum balance. Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of short, medium and long-term funding and liquidity management requirements.

The Group develops contingency plans to fund business activities as follows:

Under normal business conditions:

- the Group will maintain a positive net cash flow position after considering expected product cash flows and available-for-sale financial assets, for a minimum period of 20 business days; and
- the Group will maintain a positive net cash flow position after considering expected product cash flows, available committed funding lines and available-for-sale financial assets, for a minimum period of 40 business days.

Under normal business conditions the Group will maintain its minimum liquid asset portfolio at all times.

The table below summarises the maturity profile of the Group's financial liabilities as at 30 June based on contractual undiscounted repayment obligations.

	Consolidated				
	At call $'000	0 - 3 months $'000	3 months to 1 year $'000	1 - 5 years $'000	More than 5 years $'000
2017					
Provisions	-	-	-	172,788	-
Trade and other payables	-	17,433	-	-	-
Net settled:					
Foreign exchange swaps	-	(979)	(669)	(279)	-
Total undiscounted cash flows	-	16,454	(669)	172,509	-
2016					
Provisions	-	-	-	111,445	-
Trade and other payables	-	15,123	-	-	-
Net settled:					
Foreign exchange swaps	-	396	-	-	-
Total undiscounted cash flows	-	15,519	-	111,445	-

18 Risk Management (continued)

(c) Market risk

Market risk is defined as the risk of loss arising from movements in market prices. The primary market risk exposures for the Group are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk represents the risk that the value of the Group's financial assets and liabilities may be affected by movements in interest rates. Interest rate risk is managed using a combination of gap and scenario analysis. The key focus of interest rate risk management is to manage the exposure of market value of equity (MVE) to movements in interest rates. The MVE is stabilised as much as possible, while taking account of the impact on net interest income, in order to ensure long term maintenance of the economic value of the business.

There have been no changes to the market risk management policy since the prior year.

Interest rate sensitivity analysis

The following table details the sensitivity of the Group's net profit and equity, as reported in the financial report, to a change of 0.5% in interest rates at the reporting date. A change of 0.5% in interest rates is used as this reflects the measure used when reporting interest rate risk to internal management. This analysis assumes that the value of financial assets and liabilities at the reporting date were outstanding for the whole year and that the accounting treatment of individual financial assets and liabilities remains unchanged from the accounting treatment applied at reporting date.

	Consolidated			
	Net profit		Equity	
	0.5% increase $'000	0.5% decrease $'000	0.5% increase $'000	0.5% decrease $'000
30 June 2017	284	(284)	284	(284)
30 June 2016	263	(263)	263	(263)

Foreign currency risk

The Group operates a UK bank account denominated in British Pounds (GBP), three US bank accounts denominated in US Dollars (USD), one Japanese bank account denominated in Japanese Yen (JPY) and two Hong Kong bank accounts denominated in Hong Kong Dollars (HKD). The Group has receivables in USD and Canadian Dollars (CAD) and also has provisions in USD. As a result, exposures to exchange rate fluctuations arise. Foreign exchange exposures are managed by entering into hedge contracts. The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at reporting date is at follows:

	Consolidated			
	Assets		Liabilities	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
USD	162,955	62,998	147,740	78,056
GBP	29,501	23,467	33,603	30,994
CAD	5,845	15,604	-	-
YEN	380	547	486	126
HKD	816	-	303	-

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase in the Australian Dollar against the relevant foreign currencies. A 10% change represents Management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number indicates an increase in profit and equity and a negative number a loss and decrease in equity.

	Consolidated					
	CAD impact		HKD impact		YEN impact	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Profit or loss	(585)	(1,560)	(51)	-	11	(42)
Equity	(585)	(1,560)	(51)	-	11	(42)

US Dollars (USD) and British Pounds (GBP) are fully hedged and therefore any change in foreign currency rates has no impact on the profit or loss or on equity.

18 Risk Management (continued)

(d) Operating risk

Operating risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Where possible and appropriate, the Group builds operational risk controls into each of its processes. Control processes are designed to be appropriate to the activities conducted. While it is not possible to specify all types of control processes, the following controls are implemented wherever appropriate:

- integration of controls in processes and role responsibilities;
- promoting compliance with the process and with all relevant laws and regulatory requirements;
- maintaining safeguards for access to, and use of, assets and records;
- Segregation of duties through role and system-based segregation to protect against fraud and to avoid conflicts of interest;

- promoting effective IT security practices, including system access controls;
- clearly communicated policies and procedures; and
- monitoring of adherence to assigned risk limits or thresholds.

19 Director and key management personnel

a) Details of directors and key management personnel

The directors and other members of key management personnel of the Group during the year were:

Directors		
Garry Weaven		Chair
Michael Migro		
Linda Rubinstein		

Key management personnel	Appointed	Resigned	
Brett Himbury			Chief Executive Officer - IFM Investors
Catharine Bowtell *	1 April 2016		Chief Executive Officer - Industry Fund Services
David Whiteley			Chief Executive Officer - Industry Super Australia
Chris Altis	21 June 2016	26 May 2017	Executive Manager/Company Secretary - The New Daily
Belinda Tkalcevic	31 May 2017		Executive Manager/Company Secretary - The New Daily

* Acting Chief Executive Officer - Industry Fund Services from 7 December 2015 to 31 March 2016.

b) Remuneration of directors and key management personnel

The aggregate compensation made to directors and other members of the key management personnel of the Group is set out below:

	Consolidated	
	2017	**2016**
	$'000	**$'000**
Short-term employee benefits		
Directors	629	505
Key management personnel	3,163	2,634
Total directors and key management personnel	3,792	3,139

20 Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 15 to the financial statements.

(b) Transaction with directors and key management personnel

(i) Key management personnel compensation

Details of director and key management personnel compensation are disclosed at note 19.

21 Remuneration of auditors

	Consolidated	
	2017	**2016**
Auditor of the parent entity		
Financial statements audits	398,806	320,929
Regulatory audits and other services	1,258,969	143,929
	1,657,775	464,858

The auditor of Industry Super Holdings Pty Ltd is Deloitte Touche Tohmatsu.

22 Events after the reporting period

The Board of Super Members Investments Limited “SMI” (Industry Fund Services’ wholly owned subsidiary) has resolved to transfer the IRIS Superannuation Fund to HESTA by way of a successor fund transfer, subject to certain conditions being met. HESTA was selected following a competitive tender. Accordingly, 2017/18 will be the last year that SMI operates as the trustee of the IRIS Superannuation Fund. This is not material to the Group profit.

There have been no other matters or circumstances not otherwise dealt with in the Financial Statements or Directors' Report that have significantly affected or may significantly affect the Group.

23 Contingent liabilities

There have been no contingent liabilities impacting the Group.

24 Contingent assets

IFM Investors manages funds for which it may be entitled to receive fees that are contingent upon the performance of the portfolio. Some of these performance fees have not been recognised as they are not able to estimated or reliably measured.

26 Parent entity information

Voluntary changes in accounting policies

The Company implemented a change in accounting policy during the year to recognise investments in controlled entities as 'financial assets at fair value through profit or loss' and to hold them at fair value. This change has been applied retrospectively and prior year comparatives have been restated. No deferred tax has been reported on fair value movements because the financial assets are not classified as available for sale. This change in accounting policy was made to better reflect the fair value of the Group. ISH net assets are accordingly now presented more in line with the valuation of the ISH operating entities.

Financial assets at fair value through profit or loss
Investments in controlled entities held by the Company are classified as financial assets at fair value through profit or loss and are reported at fair value. Fair value is determined by engaging an independent valuer who determines the fair value by applying fair value valuation methods such as discounted cash flow methodology. Initial recognition of fair value is recognised directly in the investments revaluation reserve through other comprehensive income. Subsequent movements in fair value are taken up through profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the year.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial Position	**Company**		
	30 June 2017 $'000	**30 June 2016 $'000 Restated**	**1 July 2015 $'000 Restated**
Assets			
Cash and cash equivalents	1,457	2,975	5,726
Trade and other receivables	6	16	43
Investments	-	-	200
Investments in controlled entities *	697,500	586,000	472,500
Current tax assets	221	233	200
Deferred tax assets *	284	277	276
Total assets	699,468	589,501	478,945
Liabilities			
Trade and other payables	136	111	108
Related party payable	-	-	3
Deferred tax liabilities	37	37	37
Total liabilities	173	148	148
Net assets	699,295	589,353	478,797
Equity			
Issued capital	56,564	57,163	57,163
Retained earnings *	642,731	532,190	421,634
Total equity	699,295	589,353	478,797

* Industry Super Holdings changed its accounting policy to recognise financial assets at fair value. This change in accounting policy has been applied retrospectively and has resulted in the following changes:

	Company	
	30 June 2016 $'000	**1 July 2015 $'000**
Investments in controlled entities	116,100	429,182
Deferred tax assets	(60)	(334)
Retained earnings	116,040	428,848

26 Parent entity information (continued)

Financial performance

	Company 2017 $'000	Company 2016 $'000 Restated
Interest income	11	113
Dividend income	5,600	650
Change in fair value of controlled entities	105,600	110,300
Total operating income	111,211	111,063
Expenses		
Operating expenses	952	890
Total Expenses	952	890
Profit before income tax	110,259	110,173
Income tax (expense) / benefit	282	383
Profit / (loss) for the year	110,541	110,556
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of subsidiaries	-	-
Total other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year from continuing operations	110,541	110,556

Statement of changes in equity

	Company		
	Share capital $'000	(Accumulated losses) / Retained earnings $'000	Total $'000
2016 (restated)			
Balance at 1 July 2015	57,163	(11,735)	45,428
Retrospective change in accounting policy to fair value	-	433,369	433,369
Profit / (Loss) for the year	-	110,556	110,556
Balance at 30 June 2016	57,163	532,190	589,353
2017			
Balance at 1 July 2016	57,163	532,190	589,353
Profit / (Loss) for the year	-	110,541	110,541
Return of capital	(599)	-	(599)
Balance at 30 June 2017	56,564	642,731	699,295

26 Parent entity information (continued)

Income Taxes

	Company 2017 $'000	Company 2016 $'000 Restated
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense in respect of the current year	(275)	(382)
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Deferred tax expense / (benefit) relating to the origination and reversal of temporary differences and tax losses	(7)	(1)
	(282)	(383)

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Company 2017 $'000	Company 2016 $'000 Restated
Profit / (Loss) from operations	4,659	(127)
Income tax expense / (benefit) calculated at 30%	1,398	(38)
Adjustments recognised in the current year in relation to the current tax of prior years	-	(150)
Effect of expenses / (income) that are not deductible / (assessable) in determining taxable profit	(1,680)	(195)
Income tax expense / (benefit) recognised in profit or loss	(282)	(383)

Deferred tax balances
Deferred tax assets / (liabilities) arise from the following:

	Company			
2017	**Opening balance $'000**	**Recognised in other comprehensive income $'000**	**Recognised in profit or loss $'000**	**Closing balance $'000**
Temporary differences				
Fair value through profit and loss financial assets	(37)	-	-	(37)
Accrued expenses	277	-	7	284
	240	-	7	247

2016				
Temporary differences				
Fair value through profit and loss financial assets	(37)	-	-	(37)
Accrued expenses	276	-	1	277
	239	-	1	240

26 Parent entity information (continued)

Investment in controlled entities

	Company 2017 $'000	Company 2016 $'000 Restated
IFM Holdings		
Balance at the beginning of the financial year	549,200	433,100
Adjustment to fair value	113,800	116,100
Balance at the end of the financial year	663,000	549,200
Industry Funds Services		
Balance at the beginning of the financial year	36,800	39,400
(Current year impairment charge)/Reversal of prior year	(2,300)	(2,600)
Balance at the end of the financial year	34,500	36,800
Total investments in controlled entities		

The group has engaged the services of an independent valuation expert to provide a valuation for the Group and its component parts. The independent valuation is the basis for determining the market value of the Company's investment in each of its controlled entities.

The valuation for IFM Holdings indicated a fair value of between $636,500 thousand and $691,700 thousand with a mid point valuation of $663,000 thousand (2016: $549,200 thousand)

The valuation for Industry Fund Services indicated a fair value of between $33,100 thousand and $37,000 thousand with a mid point valuation of $34,500 thousand (2016: $36,800 thousand)