ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Financial Statements

For the Year Ended 31 December 2017

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Contents

For the Year Ended 31 December 2017

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2017

	Note	2017 $	2016 $
Revenue	4	**28,270,339**	25,923,013
Gain on bargain purchase	5	**361,822**	-
Employee benefit expense		**(11,477,553)**	(10,706,070)
Discretionary protection and claims expense		**(7,799,180)**	(6,932,706)
Property and occupancy expenses		**(1,391,335)**	(1,173,141)
Interest expense	6	**(1,193,778)**	(1,233,997)
Travel and entertainment expense		**(950,174)**	(741,170)
Consultants and professional fees		**(916,733)**	(939,646)
Advertising and marketing expense		**(761,184)**	(814,504)
Depreciation, amortisation and impairments	13	**(536,943)**	(460,785)
Course and academic expenses		**(406,445)**	(545,336)
Office expense		**(371,953)**	(311,077)
Telephone and IT expense		**(369,293)**	(393,982)
Doubtful debts expense		**(18,000)**	(22,538)
Other expenses		**(1,129,759)**	(1,012,271)
Profit before income tax		**1,309,831**	635,790
Income tax expense	7	**(1,924)**	(2,168)
Profit/(loss) from continuing operations		**1,307,907**	633,622
Profit/(loss) before distributions to ACC Movement		**1,307,907**	633,622
Distributions to ACC Movement	24(b)	**(150,761)**	(114,833)
Profit/(loss) for the year		**1,157,146**	518,789
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property, plant and equipment		**5,495,824**	-
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Net gain/(loss) on translation of foreign subsidiaries		**(2,549)**	2,325
Other comprehensive income for the year		**5,493,275**	2,325
Total comprehensive income for the year		**6,650,421**	521,114
Profit/(loss) attributable to:			
Members of the parent entity		**1,150,272**	516,288
Non-controlling interest		**6,874**	2,501
		1,157,146	518,789
Total comprehensive income attributable to:			
Members of the parent entity		**6,643,784**	518,398
Non-controlling interest		**6,637**	2,716
		6,650,421	521,114

The accompanying notes form part of these financial statements.

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Statement of Financial Position

As at 31 December 2017

	Note	2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**4,626,534**	9,726,497
Trade and other receivables	9	**2,627,024**	1,746,731
Inventories	10	**27,826**	46,142
Financial assets	11	**10,502,035**	6,533,329
Current tax receivable		**13,962**	4,641
Other assets	14	**2,065,672**	1,938,470
TOTAL CURRENT ASSETS		**19,863,053**	19,995,810
NON-CURRENT ASSETS			
Trade and other receivables	9	**3,702,363**	717,772
Intangible assets	12	**723,492**	349,651
Property, plant and equipment	13	**44,197,791**	32,877,656
TOTAL NON-CURRENT ASSETS		**48,623,646**	33,945,079
TOTAL ASSETS		**68,486,699**	53,940,889
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	**23,946,405**	22,799,769
Short-term provisions	16	**933,424**	845,813
Borrowings	17	**1,012,213**	1,010,653
Other liabilities	18	**2,992,667**	3,957,802
TOTAL CURRENT LIABILITIES		**28,884,709**	28,614,037
NON-CURRENT LIABILITIES			
Trade and other payables	15	**998,174**	75,000
Long-term provisions	16	**225,703**	194,714
Borrowings	17	**17,090,715**	10,396,711
Other liabilities	18	**3,457**	26,907
TOTAL NON-CURRENT LIABILITIES		**18,318,049**	10,693,332
TOTAL LIABILITIES		**47,202,758**	39,307,369
NET ASSETS		**21,283,941**	14,633,520
EQUITY			
Reserves	19	**11,427,332**	5,933,820
Retained earnings		**9,840,867**	8,690,595
Parent interest		**21,268,199**	14,624,415
Non-controlling interest		**15,742**	9,105
TOTAL EQUITY		**21,283,941**	14,633,520

The accompanying notes form part of these financial statements.

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Statement of Changes in Equity

For the Year Ended 31 December 2017

2017

	Note	Retained Earnings $	Asset Revaluation Surplus $	Foreign Currency Translation Reserve $	Non-controlling Interests $	Total $
Balance at 1 January 2017		**8,690,595**	**5,931,903**	**1,917**	**9,105**	**14,633,520**
Profit/(loss) attributable to members of the parent entity		**1,150,272**	**-**	**-**	**-**	**1,150,272**
Profit/(loss) attributable to non-controlling interests		**-**	**-**	**-**	**6,874**	**6,874**
Gain on revaluation of property, plant and equipment		**-**	**5,495,824**	**-**	**-**	**5,495,824**
Net gain/(loss) on translation of foreign subsidiaries		**-**	**(2,367)**	**55**	**(237)**	**(2,549)**
Balance at 31 December 2017		**9,840,867**	**11,425,360**	**1,972**	**15,742**	**21,283,941**

2016

	Note	Retained Earnings $	Asset Revaluation Surplus $	Foreign Currency Translation Reserve $	Non-controlling Interests $	Total $
Balance at 1 January 2016		8,833,296	5,930,776	934	6,389	14,771,395
Retrospective adjustment upon change in accounting policy		(658,989)	-	-	-	(658,989)
Profit/(loss) attributable to members of the parent entity		516,288	-	-	-	516,288
Profit/(loss) attributable to non-controlling interests		-	-	-	2,501	2,501
Net gain/(loss) on translation of foreign subsidiaries		-	1,127	983	215	2,325
Balance at 31 December 2016		8,690,595	5,931,903	1,917	9,105	14,633,520

The accompanying notes form part of these financial statements.

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Statement of Cash Flows

For the Year Ended 31 December 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers, members and others		**27,089,624**	24,914,707
Discretionary protection recoveries received		**2,604,507**	4,392,441
Payments to suppliers, members and employees		**(27,057,601)**	(25,374,825)
Claims paid to members of ACS Mutual Limited		**(2,600,266)**	(4,651,775)
Interest received		**738,457**	655,885
Interest paid		**(1,193,778)**	(1,196,234)
Income tax paid		**(11,245)**	(19,081)
Net cash provided by/(used in) operating activities	27	**(430,302)**	(1,278,882)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investments		**174,906**	122,305
Purchase of property, plant and equipment		**(5,916,277)**	(1,132,603)
Redemption/(placement) of term deposits		**(4,093,085)**	329,238
Loans repaid/(advanced)		**(2,984,591)**	1,264,098
Payment for intangibles		**(392,738)**	-
Net cash used by investing activities		**(13,211,785)**	583,038
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings procured/(repaid)		**8,545,369**	1,534,778
Net cash used by financing activities		**8,545,369**	1,534,778
Net increase/(decrease) in cash and cash equivalents held		**(5,096,718)**	838,934
Cash and cash equivalents at beginning of year		**9,723,252**	8,884,318
Cash and cash equivalents at end of financial year	8	**4,626,534**	9,723,252

The accompanying notes form part of these financial statements.

1 Accounting policies

Basis of preparation

The financial report includes the consolidated financial statements and notes of ACC Directorate Limited and Controlled Entities (the Group) and the separate note disclosure of ACC Directorate Limited as an individual parent entity (the company). ACC Directorate Limited is a company limited by guarantee, incorporated and domiciled in Australia.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated. The financial statements are based on historical costs, except for the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

(a) Going Concern

The financial report has been prepared on the going concern basis, which assumes the continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business. This approach has been taken based on the considerations listed below:

ACC Directorate Limited holds on its balance sheet the liabilities and assets in relation to its Accumulator investment product. Accumulator investors are, in a legal sense, unsecured debenture holders, and are represented on the balance sheet as liabilities. Investors invest “at call” or in term investments with maturities generally less than 12 months, and are therefore represented further as current liabilities. The company has applied these funds to invest in cash and fixed interest investments of varying maturities and loans to various entities. As the greater portion of these assets are non-current in nature the company has a deficit in its net current asset position. The deficit in net current assets creates an element of uncertainty surrounding the going concern should debenture holder redemption requests exceed liquid current assets available.

To ensure that adequate liquidity is maintained to satisfy debenture holder redemption requests as they occur, regular liquidity profiling, monitoring, forecasting and modelling by the manager of this product is performed. Specifically for redemption management purposes the manager allocates a significant portion of assets to short-term highly liquid cash and term deposit investments. These assets represented approximately 53% of the scheme's total liability at 31 December 2017 (2016: 57%).

The company first issued debenture products in 2002, and since that date all interest payments to, and redemption requests from debenture holders have been satisfied within specified timeframes. Based on forecasting and modelling of these liabilities as at March 2018, the company's liquid asset position as at March 2018, and historical redemption behaviour, there is a reasonable basis to conclude that current liquidity is adequate to satisfy anticipated future redemption requests of debenture holders.

The total scheme liability at 31 December 2017 is $22,970,189 which includes amounts totalling $6,007,432 held directly by entities under the control of the ACC Movement (Australian Christian Churches Unincorporated - ABN: 58 123 514 361). As disclosed in Note 24 to the financial statements, this is the unincorporated parent body of ACC Directorate Limited.

1 Accounting policies

(a) Going Concern

The group has also demonstrated profitability over the past five years. This has involved the discontinuation of operations in less profitable and higher risk areas. The group is projecting continuing profitability for the next three years, which in turn is likely to strengthen the balance sheet and continue to improve liquidity available within the group.

The directors believe that the key considerations analysed above provide adequate evidence that the group will continue as a going concern.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the parent (ACC Directorate Limited) and all of its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the parent. The combination of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

(c) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date. Goodwill or a gain on bargain purchase may arise on the acquisition date. This is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss. All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

1 Accounting policies

(d) Intangible Assets

Goodwill

Goodwill is calculated as the excess of the sum of the consideration transferred, any non-controlling interest, and the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

Goodwill is not amortised but is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses.

(e) Property, plant and equipment

Land and buildings

Freehold land and buildings are shown at their fair value based on periodic, valuations by external independent valuers, less subsequent depreciation for buildings.

Library books

Library books are recognised at fair value based on periodic directors' valuations. Such valuations may be based on the best estimates of management, or based on valuations performed by external independent valuers as the directors determine is necessary.

Increases in the carrying amount arising on revaluation of property, plant and equipment recognised at fair value are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

1 Accounting policies

(e) Property, plant and equipment

Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	1.25 - 4%
Plant and Equipment	10 - 30%
Furniture, Fixtures and Fittings	10 - 30%
Motor Vehicles	15 - 25%
Office Equipment	10 - 30%
Computer Equipment	10 - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(f) Inventories

Inventories are measured at the lower of cost and current replacement cost.

1 Accounting policies

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(h) Discretionary protection arrangement

The contractual obligation arising out of a discretionary protection contract held by the group is recorded as a discretionary protection expense and is recognised in Statement of Profit or Loss and Other Comprehensive Income from the attachment date over the period of protection in accordance with the expected pattern of incidence of risk ceded. Accordingly, where the benefit of risk ceded is available following the end of the financial year, the portion of fee is recognised in the balance sheet as a prepayment.

(i) Prepaid discretionary protection expenses

Prepaid discretionary protection expenses consist of costs that have been paid, where the group has rights to re-insurance protection covering a period subsequent to the end of the financial year. Prepaid discretionary protection costs are recognised as an expense on a pro-rata basis in accordance with the period of cover. Where the period of protection exceeds 12 months, the balance is recognised as a non-current asset.

(j) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, alternative valuation techniques are adopted.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

1 Accounting policies

(j) Financial Instruments

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

1 Accounting policies

(k) Impairment

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use or where appropriate, depreciated replacement cost, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

(l) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the group to an employee superannuation fund and are charged as expenses when incurred.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(n) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

1 Accounting policies

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(q) Income taxes

No current or deferred income tax assets or liabilities have been raised by the company it is exempt from income tax under Division 50 of the Income Tax Assessment Act. Prior year tax losses exist for the taxpaying entities within the group, with the exception of ACS Mutual Limited, ACS Business Trust and AOG Financial Services Trust.

ACS Mutual Limited is a company limited by guarantee and operates for the mutual benefit of members. Accordingly, this entity is not liable for income tax on contributions received from members, nor are the related outgoings allowable as an income tax deduction. This entity is, however, liable for income tax on interest and other income derived from investments.

ACS Business Trust is a fixed trust which distributes taxable profits to ACS Financial Trust. ACS Financial Trust is an income tax exempt trust within the group.

AOG Financial Services Trust is a discretionary trust which distributes taxable profits to income tax exempt entities within the group.

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

(r) Revenue

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue, as noted below, has been satisfied.

Sale of goods

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

1 Accounting policies

(r) Revenue

Interest revenue

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Insurance revenue

Insurance revenue, where the group acts as a broker, is recognised on a cash basis when the insured accepts the offer of insurance coverage.

Discretionary protection revenue

Discretionary protection revenue consists of member contributions to ACS Mutual Limited, which entitles each member to discretionary protection. The proportion of these contributions equal to the direct re-insurance cost (discretionary protection expense) paid to the underwriter is recognised as revenue from the attachment date over the period of the contract on a straight-line basis. Deferred revenue is recognised as a liability for discretionary protection revenue received in advance. The remaining proportion of member contributions is recognised as revenue on receipt.

Provision of services

Revenue from rendering of services is recognised upon the delivery of the service to the customer. Student fee revenue is recognised when the student has commenced the semester of study to which the revenue attaches.

Rent revenue

Rental income from operating leases is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return. Accrued income recognised to reflect income on a straight-line basis is classified as a current asset.

All revenue is stated net of the amount of goods and services tax (GST).

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(t) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

1 Accounting policies

(u) Critical Accounting Estimates and Judgments

In the application of the consolidated entity's accounting policies, the directors are required to make judgments, estimates and assumptions about carrying amounts 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 assumptions are reviewed on an ongoing basis.

Key estimates - Impairment

The Group assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Group that may be indicative of impairment triggers.

Key estimates - Claims

ACS Mutual Limited self-insures a proportion of the risk ceded at the inception of a discretionary protection contract with a member of the mutual. Specific risk limits are set by the directors annually based on previous claims history. The mutual's risk exposure above the set limits is insured with general insurance companies. From 31 March 2016, risk exposure limit has been set to $0, with 100% of the mutual's risk being reinsured from this date. The directors of ACS Mutual Limited ensure that there is sufficient cash within the company to meet all claims within the company's mutually retained limits.

A provision is made at year end for the estimated cost of claims incurred but not settled at the balance date, including the cost of claims incurred but not yet reported to the group. This provision is calculated net of any discretionary protection related recoveries under insurance contracts with general insurers.

2 Change in Accounting Policy

Alphacrucis College Limited has historically capitalised a portion of its employee benefits and contractor expenses relating to ongoing course development and accreditation, and amortised this asset in subsequent reporting periods. In the current year that directors have determined this accounting policy is no longer necessary given that course development and accreditation is now an ongoing operational activity and it is becoming more difficult to attribute development costs to specific awards, particularly since the College has now been authorised as a self-accrediting institution. Accordingly, the directors have assessed that such development costs will now be expensed as incurred (except where the directors wish to capitalise separately identifiable intangible assets).

This change in accounting policy has been applied retrospectively and comparative figures have been restated accordingly. The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 31 December 2017 is as follows:

	Previously stated $	31 December 2016 Adjustments $	Restated $	Previously stated $	1 January 2016 Adjustments $	Restated |$
Statement of Profit or Loss and Other Comprehensive Income						
Course and academic expenses	**818,148**	(272,811)	545,336			
Employee benefits expense	**10,335,918**	370,152	10,706,070			
Statement of Financial Position						
Course accreditation costs (asset)	**813,178**	(813,178)	-	715,639	(715,639)	-
Other prepayments	**605,954**	56,848	662,802	455,565	56,650	512,215
Retained earnings	**9,446,925**	(756,330)	8,690,595	8,833,296	(658,989)	8,174,307

3 Parent entity

The following information has been extracted from the books and records of the parent, ACC Directorate Limited and Controlled Entities and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, ACC Directorate Limited and Controlled Entities has been prepared on the same basis as the consolidated financial statements.

	2017 $	2016 $
Statement of Financial Position		
Assets		
Current assets	**14,384,666**	13,368,968
Non-current assets	**11,516,944**	9,886,933
Total Assets	**25,901,610**	23,255,901
Liabilities		
Current liabilities	**23,230,384**	22,322,163
Non-current liabilities	**998,174**	75,000
Total Liabilities	**24,228,558**	22,397,163
Equity		
Retained earnings	**1,673,051**	858,737
Total Equity	**1,673,051**	858,737
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	**814,314**	678,284
Total comprehensive income	**814,314**	678,284

Assets and liabilities relating to the Accumulator unsecured debenture product are recorded within the Statement of Financial Position of ACC Directorate Limited.

4 Revenue and Other Income

	2017	2016
	$	$
Revenue		
- Discretionary protection revenue	**9,314,297**	8,386,912
- Discretionary protection management fees	**1,944,964**	1,787,000
- Insurance revenue	**1,313,373**	1,255,781
- Interest revenue	**736,803**	656,216
- Financial services revenue	**218,892**	238,221
- Student fee revenue	**10,971,749**	10,687,819
- Governing grant funding (New Zealand)	**617,264**	623,404
- Rent revenue	**2,586,706**	1,486,186
- Donation revenue	**474,201**	745,940
- Other revenue	**92,090**	55,534
Total Revenue	**28,270,339**	25,923,013

5 Business combination

On 1 December 2017, the Group acquired the assets and operations of Harvest Bible College (ABN 97 621 239 356) in accordance with a signed agreement conferring the transfer of ownership. In calculating the fair value of net assets acquired, the Group has applied provisional fair values in accordance with AASB 3 *Business Combinations*, which were estimated by reference to the written-value of the assets acquired. These values will be subsequently re-assessed during the year ended 31 December 2018.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date.

	Fair value
	$
Purchase consideration:	
Cash	2,000,000
Total purchase consideration	**2,000,000**
Assets or liabilities acquired:	
Property, plant and equipment	2,450,000
Provisions	(88,178)
Total identifiable net assets	**2,361,822**
Goodwill/(gain on bargain purchase)	**(361,822)**

6 Profit for the year

Expenses

	2017	2016
	$	$
Rental Expense on Operating Leases		
Lease payments	**469,090**	349,096
Total Rental Expense	**469,090**	349,096
Interest Expense		
Accumulator debenture holders	**576,263**	688,608
Banks and other financial institutions	**537,038**	453,164
Other lenders	**80,477**	92,225
Total Interest Expense	**1,193,778**	1,233,997

7 Income Tax Expense

The major components of tax expense (income) comprise:

	2017	2016
Current tax expense		
Local income tax - current period	**1,924**	2,168
	1,924	2,168

8 Cash and Cash Equivalents

	2017	2016
Cash on hand	**8,330**	7,180
Cash at bank	**4,618,204**	9,719,317
	4,626,534	9,726,497

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2017	2016
Cash and cash equivalents	**4,626,534**	9,726,497
Bank overdraft	**-**	(3,245)
Balance as per statement of cash flows	**4,626,534**	9,723,252

9 Trade and other receivables

	Note	2017 $	2016 $
CURRENT			
Trade receivables		**1,598,063**	1,523,672
Provision for impairment	(a)	**(61,800)**	(43,800)
		1,536,263	1,479,872
Accrued Income		**82,225**	138,161
Operating lease receivables		**654,572**	-
Fee HELP receivables		**159,389**	-
Sundry receivables		**109,575**	128,698
Related party receivables		**85,000**	-
		2,627,024	1,746,731
NON-CURRENT			
Church and other loans		**3,702,363**	717,772
		3,702,363	717,772

(a) Movement in provision for impairment of receivables is as follows:

	2017 $
Balance at beginning of the year	**43,800**
Additional impairment loss recognised	**18,000**
Balance at end of the year	**61,800**

10 Inventories

	2017 $	2016 $
CURRENT		
At cost		
Finished goods	**27,826**	46,142
	27,826	46,142

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Notes to the Financial Statements

For the Year Ended 31 December 2017

11 Financial Assets

	Note	2017 $	2016 $
CURRENT			
Financial assets at fair value through profit or loss		**54,569**	4,042
Held-to-maturity financial assets	(a)	**10,447,466**	6,529,287
		10,502,035	6,533,329

(a) Held-to-maturity investments

	2017 $	2016 $
Term deposits	**10,447,466**	6,354,381
Managed fund investments	**-**	174,906
	10,447,466	6,529,287

12 Intangible Assets

	2017 $	2016 $
Goodwill		
At cost	**330,754**	349,651
Net carrying value	**330,754**	349,651
Intangible assets under development		
Cost	**392,738**	-
Net carrying value	**392,738**	-
Total Intangibles	**723,492**	349,651

Alphacrucis Limited (incorporated in New Zealand) purchased Alphacrucis International College Limited in 2010. The consideration paid in excess to the net identifiable assets acquired has been recorded as goodwill.

Movements in carrying amounts of intangible assets

	Intangible assets under development $	Goodwill $	Total $
Balance at the beginning of the year	**-**	**349,651**	**349,651**
Additions	**392,738**	**-**	**392,738**
Foreign exchange movements	**-**	**(18,897)**	**(18,897)**
Balance at the end of the year	**392,738**	**330,754**	**723,492**

13 Property plant and equipment

	2017	2016
	$	$
LAND AND BUILDINGS		
Land		
At valuation	**27,674,239**	21,128,415
Total land	**27,674,239**	21,128,415
Buildings		
At valuation	**14,139,522**	10,143,995
Accumulated depreciation	**(56,156)**	(142,069)
Total buildings	**14,083,366**	10,001,926
Total land and buildings	**41,757,605**	31,130,341
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	**1,080,281**	731,007
Accumulated depreciation	**(513,469)**	(440,970)
Total plant and equipment	**566,812**	290,037
Furniture, fixture and fittings		
At cost	**81,805**	80,931
Accumulated depreciation	**(35,024)**	(23,325)
Total furniture, fixture and fittings	**46,781**	57,606
Motor vehicles		
At cost	**65,038**	65,038
Accumulated depreciation	**(36,424)**	(23,594)
Total motor vehicles	**28,614**	41,444
Computer equipment		
At cost	**772,288**	730,090
Accumulated depreciation	**(329,845)**	(376,784)
Total computer equipment	**442,443**	353,306
Leasehold improvements		
At cost	**23,436**	23,436
Accumulated amortisation	**(15,606)**	(11,734)
Total leasehold improvements	**7,830**	11,702

13 Property plant and equipment

	2017	2016
	$	$
Library books		
At valuation	**1,654,522**	1,198,702
Accumulated depreciation	**(306,816)**	(205,482)
Total library books	**1,347,706**	993,220
Total plant and equipment	**2,440,186**	1,747,315
Total property, plant and equipment	**44,197,791**	32,877,656

Land and buildings at valuation

Land and buildings at 30 Cowper Street, Parramatta NSW were valued by independent valuer as at 31 December 2017. The critical assumptions adopted in determining the valuation included the location of the land and buildings, the current strong demand for land and buildings in the area and recent sales data for similar properties. The directors have reviewed the key assumptions adopted by the valuers and have adopted a directors' valuation within the range of the independent valuation. The directors therefore believe the carrying amount of the land and buildings correctly reflects the fair value as at 31 December 2017.

Land is also held at Lot 1 Kerang St, Surfside NSW. The value of this land has been impaired in the 2008, 2009 and 2015 financial years by directors' valuation. The directors have assessed that no further impairment is required.

Library books at valuation

During the 2014 financial year the directors engaged an independent valuer to perform a valuation of library collection held by Alphacrucis College Limited (Australia). The directors adopted the replacement cost of the library in the independent valuation as the basis for the director's valuation. The valuation of the library reflects the current replacement cost of the library less estimated depreciable value consumed (depreciated replacement cost). The critical assumptions adopted in determining the depreciated replacement cost included the current age, condition and future economic value of the collection.

During the 2015 financial year, Alphacrucis Limited and Alphacrucis International College Limited (New Zealand) performed a valuation of their library collections based on similar assumptions. A revaluation increment has accordingly been recognised in that financial year.

The directors have reviewed the assumptions adopted in 2014 and 2015 and do not believe there has been a significant change in these assumptions. The directors believe that the carrying amount of the library books correctly reflects fair value as at 31 December 2017.

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Notes to the Financial Statements

For the Year Ended 31 December 2017

13 Property plant and equipment

Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land	Buildings	Plant and Equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Library Books	Computer Equipment	Leasehold Improvements	Total
	$	$	$	$	$	$	$	$	$
Balance at the beginning of the year	21,128,415	10,001,926	290,037	57,606	41,444	993,220	353,306	11,702	32,877,656
Additions	-	3,461,545	155,268	874	-	64,012	234,578	-	3,916,277
Additions through acquisition of entity	1,050,000	800,000	200,000	-	-	400,000	-	-	2,450,000
Revaluation increase recognised in equity	5,495,824	-	-	-	-	-	-	-	5,495,824
Depreciation expense	-	(180,105)	(77,835)	(11,699)	(12,830)	(105,161)	(145,441)	(3,872)	(536,943)
Foreign exchange movements	-	-	(658)	-	-	(4,365)	-	-	(5,023)
Balance at the end of the year	27,674,239	14,083,366	566,812	46,781	28,614	1,347,706	442,443	7,830	44,197,791

14 Other Assets

	Note	2017 $	2016 $
CURRENT			
Prepaid discretionary protection expenses		**1,357,960**	1,421,040
Other prepayments		**702,497**	512,215
Formation costs		**5,215**	5,215
		2,065,672	1,938,470

15 Trade and other payables

	Note	2017 $	2016 $
CURRENT			
Unsecured liabilities			
Trade payables		**466,628**	446,067
Sundry payables and accrued expenses		**1,102,048**	936,664
GST Payables		**405,714**	368,409
Debentures	(a)	**21,972,015**	21,048,629
		23,946,405	22,799,769
NON-CURRENT			
Unsecured liabilities			
Debentures	(a)	**998,174**	75,000
		998,174	75,000

(a) Debentures

ACC Directorate Limited offers an unsecured debenture product known as ACC Accumulator (previously Smartsaver). ACC Accumulator is a Religious Charitable Development Fund that is exempt from the regulatory requirements of the Banking Act 1959 at the date of this report under the Banking Exemption No.1 of 2017. This exemption applies to approved funds that have been established to borrow and use money for charitable purposes.

16 Provisions

	Note	2017 $	2016 $
CURRENT			
Employee benefits		**933,424**	845,813
		933,424	845,813
NON-CURRENT			
Employee benefits		**225,703**	194,714
		225,703	194,714

17 Borrowings

	Note	2017 $	2016 $
CURRENT			
Unsecured liabilities			
Related party payables		**1,000,000**	1,000,000
Secured liabilities			
Bank overdraft		**-**	3,245
Finance lease obligation		**12,213**	7,408
		1,012,213	1,010,653
NON-CURRENT			
Secured liabilities			
Finance lease obligation		**24,527**	36,030
Bank loans	(a)	**16,725,000**	10,000,000
Other loans	(b)	**341,188**	360,681
		17,090,715	10,396,711

17 Borrowings

(a) The carrying amounts of assets pledged as security are:

	2017	2016
	$	$
Freehold land and buildings	**37,850,000**	30,615,341
Company charge over assets	**11,092,920**	5,653,870
	48,942,920	36,269,211

Alphacrucis College Limited's loan facility with the Commonwealth Bank of Australia is secured by a registered mortgage over the company's property at 30 Cowper Street, Parramatta and a first registered company charge over the whole of assets and undertakings of Alphacrucis College Limited.

Alphacrucis College Limited also acquired property at 1 Keith Campbell Court, Scoresby VIC from Harvest Bible College during the year. The property was sold under the Ministry Agreement which took effect on 1 December 2017. However, as settlement and transfer of the title of the property did not simultaneously take place, the title to the property was still registered to Harvest Bible College as at 31 December 2017. Accordingly, a first registered mortgage to Westpac Banking Corporation in respect of a loan facility held by Harvest Bible College (and not assumed by Alphacrucis College) continued to be registered as at 31 December 2017.

ACS Business Trust's loan facility with Macquarie Bank is secured by a first registered company charge over the whole of assets and undertakings of ACS Business Trust.

(b) Other loans

Alphacrucis Limited (NZ) has a loan from a private individual, which is secured against the assets of Alphacrucis International College Limited.

(c) Bank loan facilities

As at 31 December 2017, Alphacrucis College Limited had total borrowing facilities (including bank overdrafts) with the Commonwealth Bank of Australia approved to an amount of $15,560,000. The bank loan facility includes a market rate loan facility that is interest-only, and is repayable in full on the maturity date, which has been extended to March 2020. The balance of the market rate loan is $14,325,000 at 31 December 2017. A further $400,000 of a Better Business Loan is drawn down at 31 December 2017. While this facility has an initial maturity of 12 months from the draw-down date, the intention of both the College and the bank at the end of this facility are to renew the balance for a commercially appropriate term. It has been classified as a non-current liability as the bank is not expecting repayment of this facility in the next 12 months.

As at 31 December 2017, ACS Financial Pty Ltd as trustee for ACS Business Trust had a loan facility with Macquarie Bank approved to an amount of $2,000,000. The term of this facility is 5 years expiring in December 2021. This loan is interest until maturity, when the principal is payable in full.

18 Other Financial Liabilities

	Note	2017 $	2016 $
CURRENT			
Outstanding claims liabilities		**515,961**	511,720
Fee HELP payable		**-**	557,034
Discretionary protection revenue received in advance		**1,846,506**	1,576,432
Income received in advance		**630,200**	1,312,616
		2,992,667	3,957,802
NON-CURRENT			
Income received in advance		**3,457**	26,907
		3,457	26,907

Outstanding claims liabilities

Expected future claim payments by class of business

2017	Property $	Public Liability $	Total $
Case estimates	**502,721**	13,240	515,961
Discount to present value	**-**	-	-
Total liability for outstanding claims	**502,721**	13,240	515,961

Reconciliation of movement in discounted outstanding claims liabilities

2017	Outstanding claims liabilities $	Net $
Balance at the beginning of the year	**511,720**	511,720
Gross claims incurred	**2,604,507**	2,604,507
Total claims related payments for the period	**(2,600,266)**	(2,600,266)
Balance at the end of the year	**515,961**	515,961

19 Reserves

Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income. The cumulative amount is reclassified to profit or loss when the entities are disposed.

20 Capital and Leasing Commitments

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	2017	2016
	$	$
Payable - minimum lease payments:		
- not later than 12 months	**493,503**	428,418
- between 12 months and 5 years	**582,419**	800,926
	1,075,922	1,229,344

The property leases are non-cancellable leases, with rent payable monthly in advance. An option exists to renew each lease at the end of the term.

(b) Contracted Commitments

Contracted commitments for:

Property purchase	**-**	2,385,000
	-	2,385,000

21 Contingent Liabilities

The Group had the following contingent liabilities at the end of the reporting period:

The Group has provided bank guarantees to third parties in respect to property lease rentals totalling $321,000 (2016: $321,000).

The Group has an ownership interest in Grand Isle SAC Limited - Segregated Account 2016-10 however the entity does not meet the definition of control under Australian Accounting Standards, and accordingly has not been consolidated into this financial report. This entity is a protected cell captive (PCC) established for undertaking reinsurance of the Group's discretionary protection activities. ACSF Australia Pty Ltd (as trustee for ACS Financial Trust) acts as guarantor on behalf of the Group to ensure the PCC is fully collateralised in accordance with the Participation Agreement between the PCC and ACS Financial Pty Ltd.

22 Fair Value Measurement

The Group has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after their initial recognition. The Group does not subsequently revalue any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

Recurring fair value measurements

	Note	2017 $	2016 $
Financial Assets			
Financial assets at fair value through profit or loss - listed shares	11	**5,263**	4,042
Financial assets at fair value through profit or loss - investment in Grand Isle SAC Limited - Segregated Account 2016-10	11	**49,306**	-
Property, plant and equipment			
Freehold land	13	**27,674,239**	21,128,415
Freehold buildings	13	**14,139,522**	10,143,995
Library books	13	**1,654,522**	1,198,702
		43,468,283	32,471,112

23 Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, investments, accounts receivable and payable, unsecured debentures and bank borrowings. The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2017	2016
Financial Assets		
Cash and cash equivalents	**4,626,534**	9,726,497
Financial assets at fair value through profit or loss		
- listed shares	**5,263**	4,042
- investment in Grand Isle SAC Limited - Segregated Account 2016-10	**49,306**	-
Held to maturity financial assets	**10,447,466**	6,529,287
Loans and receivables	**6,329,387**	2,464,503
Total Financial Assets	**21,457,956**	18,724,329
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**24,944,579**	22,874,768
Borrowings	**18,102,928**	11,407,365
Total Financial Liabilities	**43,047,507**	34,282,133

24 Related Parties

(a) The Group's main related parties are as follows:

The ultimate parent entity, which exercises control over the Group, is Australian Christian Churches (ACC Movement) ABN: 58 123 514 361. This is an unincorporated association, and a charity registered with the Australian Charities and Not-for-profits Commission.

Key management personnel - refer to Note 25.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

The following transactions occurred with related parties:

Ultimate parent entity

Distributions

The group made distributions to the ACC Movement in the nature of management fee expenses totalling $150,761 (2016: $114,833).

Debentures

The Group's ACC Accumulator Religious Charitable Development Fund offers investment products (in the form of unsecured debentures) to investors who wish to promote the charitable purpose of the ACC Movement and for whom considerations of profit are not of primary relevance in the investment decision. As at 31 December 2017, the amount of funds invested in Accumulator by the ACC Movement totalled $1,102,126 (2016: $389,036). During the year the group incurred interest expenses totalling $11,331 (2016: $2,205) to the ACC Movement with respect to funds invested in Accumulator.

Other related parties

Insurance and discretionary protection revenue

Churches and other entities which are key management personnel related entities had transactions with group entities which operate the ACS Financial business. ACS Financial is a financial services business dedicated to specifically servicing the church, charitable, not-for-profit and social sectors, providing a range of financial services to support their activities and objectives. Insurance and discretionary protection premiums are paid to procure coverage through the ACS Financial business. During the year the group received premiums for insurance and discretionary protection cover totalling $202,087 (2016: $171,430) from related parties.

24 Related Parties

(b) Transactions with related parties

Discretionary protection expenses

In March 2016, ACS Mutual Limited began fully reinsuring aggregate risk on discretionary protection policies. This reinsurance is being done through a related entity, Grand Isle SAC Limited - Segregated Account 2016-10, which is a Protected Cell Captive (PCC), that is owned by ACS Financial Pty Ltd, but is not controlled by the Group for the purposes of consolidation in the financial statements. ACS Mutual Limited incurred discretionary protection expenses during the 2017 financial year totalling $7,779,180 (2016: $5,643,960) to the PCC to cover costs for reinsurance premiums, claims aggregate funding and management fees. As at 31 December 2017, the group recognised a further $1,340,628 in prepayments to the PCC.

Discretionary protection management fee revenue

During the 2017 financial year the Group recognised management fee revenue from Grand Isle SAC Limited - Segregated Account 2016-10 (see note on discretionary protection expenses above) totalling $1,944,964 (2016: $1,787,000). Management fees are earned by the group for services provided including insurance coverage procurement, claims handling and other administrative tasks.

Debentures

As at 31 December 2017, the amount of funds invested in unsecured debentures in the ACC Accumulator Religious Charitable Development Fund by other related parties totalled $1,379,009 (2016: $576,820). During the year the group incurred interest expenses totalling $12,189 (2016: $16,627) to related parties that were investors in the fund.

ACS Financial also had unsecured loans payable to related parties at 31 December 2017 totalling $1,000,000 (2016: $1,000,000). Interest expenses incurred on these loans totalled $63,000 (2016: $63,173).

Key management personnel services provided by related entities

Relates entities provided certain key management personnel services to the group during the year. The cost of these services totalled $623,065 (2016: $481,091), which consisted of directors fees and consulting fees.

Note: these amounts have not been included in key management personnel disclosures in Note 25.

Partner college revenue sharing arrangements

Alphacrucis College Limited (Alphacrucis) has partnership agreements with a number of organisations, including related parties, which run courses accredited by Alphacrucis. In accordance with signed partnership agreements, Alphacrucis receives students fees from students enrolled in these courses, and remits these fees to the relevant partner college, less a portion of the fee which Alphacrucis is entitled to retain.

25 Interests of Key Management Personnel

The total remuneration paid to key management personnel of the Group was $ 1,580,995 (2016: $ 1,431,577).

26 Interests in Subsidiaries

(a) Composition of the Group

	Country of Incorporation	Percentage Owned (%)* 2017	Percentage Owned (%)* 2016
Subsidiaries:			
ACS Financial Pty Ltd (as trustee for ACS Business Trust)	Australia	**100**	100
ACS Capital Nominees Pty Ltd (as trustee for ACS Capital Trust and AOG Financial Services Trust)	Australia	**100**	100
ACS Property Pty Ltd - deregistered 1 August 2017	Australia	**-**	100
ACS Property (Batemans Bay) Pty Ltd - deregistered 1 August 2017	Australia	**-**	100
ACS Fleet Sales Pty Ltd - deregistered 1 August 2017	Australia	**-**	100
ACSF Australia Pty Ltd (as trustee for ACS Financial Trust)	Australia	**100**	100
ACS Mutual Ltd	Australia	**100**	100
ACS Isle of Man Ltd	Isle of Man (UK)	**100**	100
Alphacrucis College Ltd	Australia	**100**	100
Alphacrucis Ltd	New Zealand	**90**	90
Alphacrucis International College Ltd	New Zealand	**90**	90
Alphacrucis College (Nonprofit Corporation)	United States (Texas)	**100**	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

(b) Significant restrictions relating to subsidiaries

The group includes some subsidiaries which are controlled by the parent entity by means other than ownership in equity interests. As a result, these subsidiaries may have restrictions on their ability to transfer assets to other entities within the group. This is common with not-for-profit entities, which are typically required to have specific clauses in the governing documents specifying their charitable purposes upon which the entity operates, and rules prohibiting the distribution of assets to members from surpluses or on winding up.

26 Interests in Subsidiaries

(b) Significant restrictions relating to subsidiaries

The following entities are subject to restrictions:

Alphacrucis College Ltd

Alphacrucis College Ltd is a company limited by guarantee, and a not-for-profit entity that is registered as a charity with the Australian Charities and Not-for-profits Commission. The principal purpose of the company is to provide education in accordance with the objects of the company. Additionally, if the company was wound up, any surplus assets after the settlement of all liabilities must be distributed to another tax concession charity with similar objects and purposes. The net assets of the company attributable to the consolidated group was $29,006,928 at 31 December 2017.

Alphacrucis Ltd & Alphacrucis International College Ltd

Alphacrucis Ltd and Alphacrucis International College Ltd are both New-Zealand incorporated companies limited by shares, which are also not-for-profit organisations. In accordance with the constitution of each company, on winding-up any surplus assets after the settlement of liabilities must be distributed to another New Zealand entity with similar objects and purposes. The net assets of these companies attributable to the consolidated group was $118,727 at 31 December 2017.

ACS Mutual Ltd

ACS Mutual Ltd is a company limited by guarantee and operates for the mutual benefit of members. The membership of the mutual consists of any church or affiliated institution or entity or person associated with churches in Australia, that has applied and been accepted as a member. Members join for the purpose of obtaining discretionary protection cover offered by the company. In the event of winding up, after the settlement of liabilities, remaining assets must be distributed to members in accordance with the constitution of the company. The net assets of the company attributable to the consolidated group was $255,032 at 31 December 2017.

27 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

	2017	2016
	$	$
Profit/(loss) for the year	**1,157,146**	518,789
Non-cash flows in profit:		
- depreciation	**536,943**	460,785
- net gain on disposal of property, plant and equipment	**-**	53,618
- gain on bargain purchase	**(361,822)**	-
- gain on assets contributed	**-**	(356,401)
- net (gain)/loss on disposal of investments	**-**	35,284
- unrealised gain on investments	**(50,527)**	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(880,293)**	(210,708)
- (increase)/decrease in inventories	**18,316**	(17,922)
- (increase)/decrease in other assets	**(127,202)**	(1,346,104)
- increase/(decrease) in trade and other payables	**244,621**	183,111
- increase/(decrease) in income taxes payable	**(9,321)**	(16,913)
- increase/(decrease) in provisions	**30,422**	396,507
- increase/(decrease) in other liabilities	**(988,585)**	(978,928)
Cashflows from operations	**(430,302)**	(1,278,882)

28 Events After the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

29 Company Details

The registered office of the company is:

ACC Directorate Limited and Controlled Entities
Suite 408, 12 Century Circuit
Baulkham Hills NSW 2153

The principal place of business is:

ACC Directorate Limited
Level 1, 917 Riversdale Road
Surrey Hills VIC 3127

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Directors' Declaration

The directors declare that in the directors' opinion:

- there are reasonable grounds to believe that the group is able to pay all of its debts, as and when they become due and payable; and

- the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012.*

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013.*

Director ....

9 August 2018

Director ....

9 August 2018.

Date:

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Auditor's Independence Declaration to the Directors of ACC Directorate Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017, there have been:

(i) no contraventions of the auditor independence requirements as set out in section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Saward Dawson

Saward Dawson

Jeffrey Tulk

Jeffrey Tulk
Partner

Blackburn

Date: 9 August 2018

20 Albert Street / PO Box 256
Blackburn Victoria 3130
T: +61 3 9894 2500
F: +61 3 9894 1622
contact@sawarddawson.com.au
www.sawarddawson.com.au

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Independent Audit Report to the members of ACC Directorate Limited and Controlled Entities

Opinion

We have audited the accompanying financial report of ACC Directorate Limited and Controlled Entities (the Group), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the financial report of the Group is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year ended; and

(ii) complying with Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the directors determines 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The directors are responsible for overseeing the Group's financial reporting process.

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 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 the financial report.

SAWARD / DAWSON
chartered accountants

ACC Directorate Limited and Controlled Entities

ABN: 65 004 617 467

Independent Audit Report to the members of ACC Directorate Limited and Controlled Entities

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 Group 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.

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.

Saward Dawson

Saward Dawson

Jeffrey Tulk

Jeffrey Tulk
Partner

Blackburn

Date: 9 August 2018