

Emplus Superannuation Fund

**Financial Statements for the year ended
30 June 2017**

Emplus Superannuation Fund

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Statement of Financial Position
As at 30 June 2017

| | Note | 2017 \$'000 | 2016 \$'000 |
|---|-------|----------------|----------------|
| Assets | | | |
| Cash and cash equivalents | 12 | 2,007 | 2,352 |
| Investment revenue receivable | 4 | 4,647 | 6,178 |
| Other receivables | 4 | 924 | 1,079 |
| Australian equities | 4 | - | 53 |
| Units in unit trusts | 4, 6 | 158,286 | 151,795 |
| Pooled superannuation trusts | 4, 6 | - | 1,830 |
| Deferred tax assets | 10(v) | - | 113 |
| Total assets | | 165,864 | 163,400 |
| Liabilities | | | |
| Payables | 4 | 1,296 | 1,457 |
| Income tax payable | | 104 | 644 |
| Deferred tax liabilities | 10(v) | 331 | - |
| Total liabilities | | 1,731 | 2,101 |
| Net assets available for member benefits | | 164,133 | 161,299 |
| Member benefits | | | |
| Allocated to members | | 159,217 | 160,737 |
| Total member liabilities | | 159,217 | 160,737 |
| Net assets | | 4,916 | 562 |
| Equity | | | |
| General Reserve | | 4,312 | - |
| Operational risk reserve | 9(a) | 604 | 562 |
| Total equity | | 4,916 | 562 |

The above statement of financial position should be read in conjunction with the accompanying notes

Income Statement
For the year ended 30 June 2017

| | Note | 2017 \$'000 | 2016 \$'000 |
|--|----------|----------------|----------------|
| Superannuation activities | | | |
| Interest | | 26 | 47 |
| Dividend revenue | | - | 2 |
| Distribution income | | 8,219 | 8,827 |
| Changes in assets measured at fair value | 5 | 6,450 | (3,924) |
| Other income | | 393 | 196 |
| Total income | | 15,087 | 5,148 |
| | | | |
| Investment expenses | | (66) | (63) |
| Administration expenses | | (2,109) | (2,309) |
| Operating expenses | 11 | (772) | (1,112) |
| Total expenses | | (2,947) | (3,484) |
| | | | |
| Profit from operating activities | | 12,140 | 1,664 |
| Less: Net benefits allocated to defined contribution members | | (7,566) | (2,605) |
| Profit before income tax expense | | 4,574 | (941) |
| Income tax expense/(benefit) | 10 (iii) | 220 | (1,121) |
| Profit after income tax expense | | 4,354 | 180 |

The above income statement should be read in conjunction with the accompanying notes

Statement of Changes in Member Benefits
For the year ended 30 June 2017

| | Note | 2017 \$'000 | 2016 \$'000 |
|---|---------|----------------|----------------|
| Opening balance of member benefits | | 160,737 | 166,632 |
| Contributions: | | | |
| Employer | | 9,699 | 10,758 |
| Member | | 638 | 580 |
| Transfer from other superannuation plans | | 1,722 | 2,220 |
| Government co-contributions | | 343 | 431 |
| Income tax on contributions | 10 (iv) | (1,485) | (1,622) |
| Net after tax contributions | | 10,917 | 12,367 |
| Transfers to other superannuation entities | | (13,712) | (13,956) |
| Benefits to members/beneficiaries | | (4,204) | (3,571) |
| Insurance premiums charges to members' accounts | | (4,810) | (4,669) |
| Death and disability benefits credited to members' accounts | | 2,723 | 1,330 |
| Benefits allocated to members accounts, comprising: | | | |
| Net investment income | | 10,026 | 5,268 |
| Administration fees | | (2,460) | (2,664) |
| | | 7,566 | 2,604 |
| Closing balance of members benefits | | 159,217 | 160,737 |

The above statement of changes in members benefits should be read in conjunction with the accompanying notes

**Statement of Changes in Reserves
For the year ended 30 June 2017**

| | General Reserve \$'000 | Operational risk reserve \$'000 | Total equity \$'000 |
|---|-----------------------------------|--|--------------------------------|
| Opening balance as at 1 July 2016 | - | 562 | 562 |
| Profit | 4,312 | 42 | 4,354 |
| Closing balance as at 30 June 2017 | 4,312 | 604 | 4,915 |
| | | | |
| Opening balance as at 1 July 2015 | - | 382 | 382 |
| Profit | - | 180 | 180 |
| Closing balance as at 30 June 2016 | - | 562 | 562 |

The above statement of changes in reserves should be read in conjunction with the accompanying notes

Statement of Cash Flows
For the year ended 30 June 2017

| | Note | 2017 \$'000 | 2016 \$'000 |
|---|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Sales of financial instruments | | 45,259 | 125,623 |
| Purchases of financial instruments | | (33,639) | (114,047) |
| Interest income received | | 26 | 47 |
| Dividends received | | - | 2 |
| Distribution income received | | - | 14 |
| Other income received | | 436 | 210 |
| General operating expenses paid | | (3,129) | (3,763) |
| Investment expenses paid | | (67) | (67) |
| Death and disability proceeds received from insurer | | 2,723 | 1,341 |
| Insurance premiums paid | | (4,806) | (4,580) |
| Income taxes (paid)/refund | | (86) | 935 |
| Net cash inflow from operating activities | 13(a) | <u>6,717</u> | <u>5,715</u> |
| Cash flows from financing activities | | | |
| Employer contributions received | | 9,760 | 10,676 |
| Member contributions received | | 981 | 1,011 |
| Net transfers to other superannuation entities | | (11,990) | (11,735) |
| Benefit payments to members or beneficiaries | | (4,191) | (3,571) |
| Tax paid on contributions | | (1,622) | (1,736) |
| Net cash (outflow) from financing activities | | <u>(7,062)</u> | <u>(5,355)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (345) | 360 |
| Cash and cash equivalents at the beginning of the financial year | | 2,352 | 1,992 |
| Cash and cash equivalents at the end of the financial year | 12 | <u>2,007</u> | <u>2,352</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements For the year ended 30 June 2017

1. General Information

Emplus Superannuation Fund (the 'Fund') was created by a Trust Deed dated 23 September 2005. The purpose of the Fund is to provide retirement benefits to its members. For the purposes of the financial statements the Fund is a for profit entity. The Fund consists of a defined contribution division.

The Fund is managed by Equity Trustees Limited (the 'Trustee') which is incorporated in Australia. The registered office of the Trustee is Level 2, 575 Bourke Street, Melbourne, VIC 3000. Both the Trustee and the Fund are domiciled in Australia and registered with the Australian Prudential Regulation Authority (APRA).

The Fund administration is managed by Millenium3 Financial Services Pty Ltd (the 'Administrator') which is incorporated in Australia. The registered office of the Administrator is Level 2, 18 Metroplex Avenue, Murrarie, QLD 4172.

The Asset Investment Consultant for the Fund is Millenium3 Financial Services Pty Ltd.

The Promoter of the Fund is Emplus Superannuation Administration Pty Ltd.

These financial statements cover the Fund as an individual entity. The financial statements of the Fund were authorised for issue by the directors of the Trustee on 24 September 2017. The directors of the Trustee have the power to amend and re-issue these financial statements.

2. Statement of significant accounting policies

Unless covered in other notes to the financial statements, the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Superannuation Industry (Supervision) Act 1993 and Regulations ("SIS") and the provisions of the Trust Deed.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

(b) Adoption of AASB 1056

The Fund's reported financial position and results of operations were affected by the adoption of AASB 1056 Superannuation Entities on 1 July 2016. This resulted in the following changes:

- the presentation format of the financial statements changed from two primary financial statements to five as follows:
 - o statement of financial position
 - o income statement
 - o statement of changes in member benefits
 - o statement of changes in reserves
 - o statement of cash flows

- the measurement of financial assets and liabilities changed from 'net market value' to 'fair value.' This change in measurement did not materially impact the carrying value of financial assets and liabilities reported by the Fund

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- member benefits are recognised as liabilities rather than equity, and
- contributions, rollovers and other inward transfers and benefits paid to members are not income or expenses but are instead presented in the statement of changes in member benefits.

As part of the transition to AASB 1056, the Trustee also had to determine whether the Fund is exposed to material insurance risk in relation to members' insurance benefits. No material risk was identified, therefore insurance premiums are no longer recognised as an expense. Refer to note 8 for further information.

As required by AASB 1056 and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, the Fund applied the new accounting standard retrospectively from the start of the comparative period beginning 1 July 2015.

As a result the Fund has restated amounts previously reported under AAS 25 Financial Reporting by Superannuation Plans ('AAS 25') for the year ended 30 June 2016. The amounts reported under AAS 25 for the year ended 30 June 2016 are reconciled to the amounts reported under AASB1056 as set out below:

(i) Statement of financial position

The adoption of AASB 1056 requires member liabilities to be recognised and measured as the amount of accrued benefits on the face of the statement of financial position.

| | |
|---|------------------|
| | \$'000 |
| Net assets available to paid benefits under AAS 25 as at 30 June 2016 | 161,299 |
| Defined contribution member liabilities | <u>(160,737)</u> |
| Total net assets under AASB 1056 as at 1 July 2016 | <u>562</u> |

(ii) Income statement

The adoption of AASB 1056 requires contributions, rollovers and other inward transfers and benefits paid to members to be recognised separately in the statement of changes in member benefits. This includes (\$1,622,000) of income tax relating to contributions which are now presented separately in the statement of changes in member benefits. The net changes in members benefits are recognised in the income statement. Insurance premiums paid by the Fund are no longer recognised in the income statement.

| | |
|---|---------------------|
| | Year ended |
| | 30 June 2016 |
| | \$'000 |
| Change in net assets available to pay benefits under AAS 25 | (5,714) |
| Net benefits allocated to defined contribution members | (2,604) |
| Employer contributions | (10,758) |
| Member contributions | (1,011) |
| Transfers from other superannuation funds | (2,220) |
| Income tax on contributions | 1,622 |
| Benefits to members or beneficiaries | 17,527 |
| Insurance premiums | <u>3,338</u> |
| Operating result after income tax under AASB 1056 | <u>180</u> |

(c) Financial instruments

(i) Classification

The Fund's investments are classified as at fair value through the income statement. They comprise shares in listed companies, units in collective investment vehicles and other receivables and payables.

(ii) Recognition/derecognition

Financial assets and financial liabilities are recognised on the date the Fund becomes party to the contractual arrangement (trade date) and changes in the fair value of the financial assets or financial liabilities are recognised from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset or liability at fair value. Transaction costs are expensed in the income statement.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through income statement are measured at fair value. Gains and losses are presented in the income statement in the period in which they arise as net changes in fair value of financial instruments.

For further details on how the fair values of financial instruments are determined refer to note 4.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability at the same time.

(d) Derivatives

The Fund presently is not directly exposed to or involved in the use of derivative financial instruments. However, some of the Fund's underlying investments may, as part of the respective fund manager's investment strategy, utilise derivative financial instruments to hedge or partially hedge specific exposures. The Fund does not enter into, hold or issue derivative financial instruments for trading purposes.

(e) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(f) Revenue recognition

Interest revenue is recognised in profit or loss for all financial instruments that are held at fair value through profit or loss using effective interest method. Income from cash and cash equivalents is presented as interest income. Interest income on assets held at fair value through profit or loss is included in the net changes in fair value of financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(c) to the financial statements.

Dividend revenue is recognised on the date the shares are quoted ex-dividend and if not received at reporting date, are reflected on the statement of financial position as a receivable at net market value.

Distribution revenue from managed investment schemes are recognised on the date the unit value is quoted ex-distribution and if not received at reporting date, are reflected in the statement of financial position as a receivable at net market value.

Rebate revenue is recognised when the Fund has established it has a right to receive the rebate.

Insurance proceeds claim amounts are recognised when the insurer has agreed to pay a claim and has transferred the claim amount to the Fund.

(g) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date. A provision for impairment is made when the Fund will not be able to collect all amounts due from the relevant broker.

(h) Receivables

Receivable amounts are generally received within 60 days of being recorded as receivables.

Collectability of trade receivables is reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount.

(i) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. These amounts are unsecured and are usually paid within 60 days of recognition.

(j) Benefits paid/ payable

Benefits paid/ payable are valued at the amounts due to members at reporting date. Benefits paid/payable comprise pensions accrued at balance date and lump sum benefits of members who are due a benefit but had not been paid at balance date.

(k) Contributions received and transfers from other funds

Contributions received and transfers from other funds are recognised in the statement of changes in member benefits when the control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.

(l) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to note 4 for details.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as reduced input tax credits (RITC). In circumstances where the GST is not recoverable, the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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 are recoverable from, or payable to the ATO, are classified as operating cash flows.

(n) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

- AASB 9 Financial Instruments (and applicable amendments), (effective from 1 January 2018)

AASB 9 addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. AASB9 introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The adoption of this standard is expected to have no impact on the Fund's accounting for financial instruments as movements in the fair value of investments and derivatives will continue to be recognised in the operating statement for periods in which they occur.

- AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2017)

The AASB has issued a new standard for the recognition of revenue. This standard applies to annual reporting periods beginning on or after 1 January 2017. It will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are contributions, interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

(o) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

3. Financial risk management

(a) Financial risk management objectives

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

The Fund has a Risk Management Framework(RMF) established by the Trustee. The RMF sets out the Trustees policies and procedures for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

The RMF identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Fund. Annually, the Trustee is required to certify to APRA whether adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to ensure compliance with legislative and prudential requirements and that the Trustee has satisfied itself as to the compliance with the RMF.

(b) Market risk

(i) Price risk

The Fund is exposed to equity securities and derivative price risk. These arises from investments held by the Fund for which prices in the future are uncertain.

At 30 June, the fair value of equities and related derivatives exposed to price risk were as follows:

| | Note | 2017 \$'000 | 2016 \$'000 |
|------------------------------|------|----------------|----------------|
| Equity Securities | | - | 53 |
| Unlisted Unit Trusts | 6 | 158,286 | 151,795 |
| Pooled Superannuation Trusts | | - | 1,830 |
| Net exposure to price risk | | 158,286 | 153,678 |

(ii) Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed interest rates expose the Fund to fair value interest rate risk.

The table below summarises the Fund's direct exposure to interest rate risk including the Fund's use of interest rate swap contracts which are used to manage exposure to interest rate risk.

| | 30 June 2017 | | | |
|---|---------------|----------------|--------------|---------|
| | Floating | Fixed interest | Non-interest | Total |
| | interest rate | rate | bearing | |
| | A\$'000 | A\$'000 | A\$'000 | |
| Financial assets | | | | |
| Cash and cash equivalents | 2,007 | - | - | 2,007 |
| Other Receivables | - | - | 5,571 | 5,571 |
| Financial assets | - | - | 158,286 | 158,286 |
| Financial liabilities | | | | |
| Financial liabilities | - | - | (1,296) | (1,296) |
| Net exposure to interest rate risk | 2,007 | - | 162,561 | 164,568 |

| | 30 June 2016 | | | |
|---|---------------|----------------|--------------|---------|
| | Floating | Fixed interest | Non-interest | Total |
| | interest rate | rate | bearing | |
| | A\$'000 | A\$'000 | A\$'000 | |
| Financial assets | | | | |
| Cash and cash equivalents | 2,352 | - | - | 2,352 |
| Other Receivables | - | - | 7,257 | 7,257 |
| Financial assets | - | - | 153,678 | 153,678 |
| Financial liabilities | | | | |
| Financial liabilities | - | - | (1,457) | (1,457) |
| Net exposure to interest rate risk | 2,352 | - | 159,478 | 161,830 |

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk, foreign exchange risk and price risk. The reasonably possible movements in the risk variables have been based on the Trustee's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market volatility. Actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

| 30 June | Price risk | | Interest rate risk | |
|---------|------------|------------|--------------------|---------|
| | -15% | +7.5% | -75 bps | +75 bps |
| | MSCI Index | MSCI Index | | |
| 2017 | (23,743) | 11,871 | (1,204) | 1,204 |
| 2016 | (23,052) | 11,526 | (1,178) | 1,178 |

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund. The main credit risks, to which the Fund is exposed, arises from the Fund's investment in interest bearing securities. The Fund is also exposed to credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables. The Trustee monitors the Fund's credit risk exposure on a regular basis.

(i) Settlement of securities transaction

All transactions in listed securities are settled for upon delivery using brokers approved by the Trustee. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment.

(ii) Cash and cash equivalents

The Fund's exposure to credit risk for cash and cash equivalents is considered low as counterparties have a rating of between AA- and BBB+ (as determined by the Standard and Poors Rating Agency).

(iii) Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets. None of these assets are impaired, nor past due.

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations to members or counterparties in full as they fall due or can only do so on terms that are disadvantageous.

The Fund is obligated to pay member benefits upon request. The Trustee's policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

(i) Maturities of financial liabilities

The tables below shows the Fund's financial liabilities based on their contractual maturities using undiscounted cash flows. Due to brokers and benefits payable are payable on demand. Liabilities to defined contribution members are payable upon request. The Fund considers it is highly unlikely that all liabilities to members would fall due at the same time.

| At 30 June 2017 | | | | | |
|---|--------------------------------------|--------------------------------------|-----------------------------|----------------------------|-------------------------|
| | Less than 3 months \$'000 | 3 months to 1 year \$'000 | 1-5 years \$'000 | 5+ years \$'000 | Total \$'000 |
| Non-derivatives | | | | | |
| Other payables | 1,296 | - | - | - | 1,296 |
| Defined contribution member liabilities | 159,217 | - | - | - | 159,217 |
| At 30 June 2016 | | | | | |
| | Less than 3 months \$'000 | 3 months to 1 year \$'000 | 1-5 years \$'000 | 5+ years \$'000 | Total \$'000 |
| Non-derivatives | | | | | |
| Other payables | 1,457 | - | - | - | 1,457 |
| Defined contribution member liabilities | 160,737 | - | - | - | 160,737 |

4. Fair value measurement

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values fixed interest securities held by the Fund using broker quotes, units in unit trusts using the unit price provided by the underlying fund manager and OTC derivatives using valuation models.
- Level 3: one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values units in unit trusts classified as level 3 using the unit price provided by the underlying fund manager. These unit trusts hold illiquid investments such as unlisted property and private equity.

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Recognised fair value measurements

The table below sets out the Fund's financial assets and liabilities at fair value according to the fair value hierarchy.

At 30 June 2017

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---------------------------------------|-------------------|-------------------|-------------------|-----------------|
| Financial Assets | | | | |
| Cash and cash equivalents | 2,007 | - | - | 2,007 |
| Other receivables | - | 5,571 | - | 5,571 |
| Units in managed funds | - | 158,286 | - | 158,286 |
| Units in pooled superannuation trusts | - | - | - | - |
| Listed shares | - | - | - | - |
| | <u>2,007</u> | <u>163,858</u> | <u>-</u> | <u>165,864</u> |
| Financial Liabilities | | | | |
| Other payables | - | 1,296 | - | 1,296 |
| | <u>-</u> | <u>1,296</u> | <u>-</u> | <u>1,296</u> |

At 30 June 2016

| | | | | |
|---------------------------------------|--------------|----------------|----------|----------------|
| Financial Assets | | | | |
| Cash and cash equivalents | 2,352 | - | - | 2,352 |
| Other receivables | - | 7,256 | - | 7,256 |
| Units in managed funds | - | 151,795 | - | 151,795 |
| Units in pooled superannuation trusts | - | 1,830 | - | 1,830 |
| Listed shares | 53 | - | - | 53 |
| | <u>2,405</u> | <u>160,881</u> | <u>-</u> | <u>163,286</u> |
| Financial Liabilities | | | | |
| Other payables | - | 1,457 | - | 1,457 |
| | <u>-</u> | <u>1,457</u> | <u>-</u> | <u>1,457</u> |

Movement in investments

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels in the fair value hierarchy for the year ended 30 June 2017 and 30 June 2016.

Valuation process

The Trustee reviews valuations of the financial instruments required for financial reporting purposes, including level 3 fair values. Changes in level 2 and 3 fair values are analysed at each reporting date by the Trustee.

5. Net changes in fair value of financial instruments

Net changes in financial assets and liabilities measured at fair value:

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Designated at fair value through profit or loss | | |
| Units in managed funds | 6,196 | (4,840) |
| Pooled Superannuation Trusts | 252 | 899 |
| Shares in listed companies | 2 | 17 |
| | <u>6,450</u> | <u>(3,924)</u> |

6. Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

The Fund considers all investments in managed investment schemes (funds) to be structured entities. The Fund invests in underlying managed funds for the purpose of capital appreciation and or earning investment income.

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The investee funds' objectives are to achieve medium to long term capital growth. The investee funds invest in a number of different financial instruments, including equities and debt instruments. The investee funds finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets.

The exposure to investments in investee funds at fair value, by investment strategy, is disclosed below:

| | Fair Value of Investment 2017 \$'000 | Fair Value of Investment 2016 \$'000 |
|------------------------------------|---|---|
| Australian cash funds | 15,910 | 16,218 |
| Australian property funds | 3,980 | 6,069 |
| Australian equity funds | 65,168 | 64,378 |
| Australian fixed interest funds | 21,725 | 20,898 |
| International property funds | 4,694 | 6,161 |
| International equity funds | 41,072 | 33,667 |
| International fixed interest funds | 5,737 | 6,234 |
| | <u>158,286</u> | <u>153,625</u> |

The fair value of financial assets \$158,286,413 (2016: \$153,625,349) is included in financial assets in the statement of financial position.

The Fund's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in the investee funds.

During the year ended 30 June 2017, total gains realised on investments in investee funds were \$2,939,917 (total gain 2016: \$9,113,747).

During the year the Fund earned fair value gains and distribution income as a result of its interests in other funds.

7. Member liabilities

(a) Recognition and measurement of member liabilities

The entitlements of members to benefit payments are recognised as liabilities. They are measured at the amount of the accrued benefits as at the reporting date, being the benefits that the Fund is presently obliged to transfer to members or their beneficiaries in the future as a result of the membership up to the end of the reporting period.

(i) Defined contribution member liabilities

Defined contribution member account balances are measured using unit prices determined by the Trustee based on the underlying investment option values selected by members.

(b) Defined contribution member liabilities

The defined contribution members bear the investment risk relating to the underlying investment options. Unit prices used to measure defined contribution member liabilities are updated each day for movements in investment values.

As at 30 June 2017, the net assets attributable to defined contribution members have been substantially allocated.

(c) Defined benefit member liabilities

The Fund has no defined benefit member liabilities.

8. Insurance arrangements

The Fund provides death and disability benefits to its members. The Trustee has a group policy in place with a third party insurance company to insure these death and disability benefits for the members of the Fund. The Fund also offers individual insurance cover.

The Fund collects premiums from members on behalf of the insurance company. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to members accounts and reinsurance recoveries allocated are recognised in the statement of changes in members benefits.

The Trustee determined that the Fund is not exposed to material insurance risk because:

- members (or their beneficiaries) will only receive insurance benefits if the external insurer pays the claim,
- insurance premiums are only paid through the Fund for administrative reasons, and
- insurance premiums are effectively set directly by reference to premiums set by an external insurer.

9. Reserves

(a) Operational risk financial reserve

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Defined contribution division | 604 | 562 |
| Reserve balance at the end of the reporting period | <u>604</u> | <u>562</u> |

The operational risk financial reserve (ORFR) may be used in certain circumstances to address operational risk events or claims against the Fund arising from operational risk and is operated in accordance with the Trustee's capital risk management policy as disclosed in Note 3(a) to the financial statements.

The Trustee has assessed an ORFR of at least 0.25% of funds under management as appropriate for the Fund. The Fund achieved this target amount as at 30 June 2016.

(b) Unallocated to members reserve

This reserve is utilised by the Fund in regards to any further income or tax credits arising from the completion of the tax position following the year end. This income will be allocated to members during the course of the following year.

10. Income tax

This note provides an analysis of the Fund's income tax expense and how the tax expense is affected by non-assessable and non-deductible items.

(i) Accounting policy

Under the Income Tax Assessment Act, the Fund is a complying superannuation fund. As such, a concessional tax rate of 15% is applied on net investment earnings with deductions allowable for administrative and operational expenses. Financial assets held for less than 12 months are taxed at the Fund's rate of 15%. For financial assets held for more than 12 months, the Fund is entitled to a further discount on the tax rate leading to an effective tax rate of 10% on any gains/(losses) arising from the disposal of investments.

Current tax is the expected tax payable on the estimated taxable income for the current year based on the applicable tax rate adjusted for instalment payments made to the ATO during the year and by changes in deferred tax assets and liabilities attributable to temporary differences.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise temporary differences and losses.

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Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) No Tax File Number (TFN) contributions tax

Where a members' TFN is not provided to the Fund, the Fund may be required to pay no-TFN contributions tax at a rate of 31.5% on contributions received from and on behalf of the member. An additional 2% Temporary Budget Repair Levy also applies for the 2014-15, 2015-16 and 2016-17 financial years. The no-TFN contributions tax applies in addition to the concessional contributions tax rate of 15% applicable to such contributions.

A no-TFN contributions tax liability recognised by the Fund will be charged to the relevant member's account. Where a tax offset is obtained by the Fund in relation to the member's no-TFN contributions tax liability, the tax offset will be included in the relevant member's account.

(iii) Income tax expense

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| <i>Current tax</i> | | |
| Current tax on profits for the year | (201) | 406 |
| Anti Detriment tax | (14) | (11) |
| No TFN Tax | (9) | (1) |
| Total current tax expense | <u>(224)</u> | <u>394</u> |
| <i>Deferred income tax</i> | | |
| Decrease/(increase) in deferred tax assets | 444 | (1,515) |
| Income tax expense/(refund) | <u>220</u> | <u>(1,121)</u> |

(iv) Numerical reconciliation of income tax expense to prima facie tax payable

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| Operating result before income tax expense | <u>12,140</u> | <u>1,661</u> |
| Tax at the Australian rate of 15% (2016 – 15%) | 1,821 | 249 |
| Increase/decrease in income tax expense due to: | | |
| Realised (gains) on investments | (167) | (2,113) |
| Unrealised (gains)/losses on investments | (225) | 2,252 |
| Other non-assessable income | (63) | (442) |
| Tax benefit from insurance premiums | (730) | (688) |
| Imputation credits | (393) | (367) |
| Anti-detriment payments | (14) | (11) |
| No TFN tax | (9) | (1) |
| Income tax expense/(refund) | <u>220</u> | <u>(1,121)</u> |

In addition to the above \$1,485,323 (2016: \$1,622,095) is recognised in the statement of changes in member benefits

(v) Deferred tax balances

The balance comprises temporary differences attributable to:

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| <i>Deferred tax assets/(liabilities)</i> | | |
| Financial assets measured at fair value through profit or loss | (304) | 151 |
| Other assets/liabilities | (27) | (38) |
| Net deferred tax assets/(liabilities) | <u>(331)</u> | <u>113</u> |

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The movements in temporary differences during the year are:

| | Beginning of year \$'000 | Recognised in income \$'000 | End of year \$'000 |
|---|--------------------------------|-----------------------------------|-----------------------|
| At 30 June 2017 | | | |
| <i>Deferred tax assets/(liabilities)</i> | | | |
| Net change in fair value of financial instruments | 151 | (455) | (304) |
| Net change in other assets/liabilities | (38) | 11 | (27) |
| Net deferred tax assets/(liabilities) | <u>113</u> | <u>(444)</u> | <u>(331)</u> |
| At 30 June 2016 | | | |
| <i>Deferred tax assets/(liabilities)</i> | | | |
| Net change in fair value of financial instruments | (1,889) | 2,040 | 151 |
| Net change in other assets/liabilities | 487 | (525) | (38) |
| Net deferred tax assets/(liabilities) | <u>(1,402)</u> | <u>1,515</u> | <u>113</u> |

11. Other items

(a) Other operating expenses

| | Note | 2017 \$'000 | 2016 \$'000 |
|----------------------------------|------|----------------|----------------|
| Trustee fees and reimbursements | | 188 | 189 |
| Audit fees | 18 | 35 | 34 |
| Other general operating expenses | | 511 | 853 |
| APRA Levies | | 17 | 20 |
| Legal Fees | | 21 | 16 |
| | | <u>772</u> | <u>1,112</u> |

12. Cash and cash equivalents

| | 2017 \$'000 | 2016 \$'000 |
|--------------|----------------|----------------|
| Cash at bank | <u>2,007</u> | <u>2,352</u> |
| | <u>2,007</u> | <u>2,352</u> |

13. Reconciliation of profit after income tax to net cash

| | 2017 | 2016 |
|---|----------|-----------|
| | \$'000 | \$'000 |
| (a) Reconciliation of profit after income tax to net cash inflow from operating activities | | |
| Operating result after tax | 4,354 | 180 |
| Adjustments for: | | |
| Sales of financial assets | 45,259 | 125,623 |
| Purchases of financial assets | (33,639) | (114,047) |
| Net changes in fair value of financial instruments | (6,450) | 3,924 |
| Trust distributions reinvested | (9,595) | (5,160) |
| Death and disability proceeds received from insurer | 2,311 | 1,214 |
| Insurance premiums paid | (4,810) | (4,668) |
| Net benefits allocated to defined contribution members | 7,566 | 2,605 |
| Change in operating assets and liabilities | | |
| Decrease/(increase) in trust distributions receivables | 1,532 | (3,591) |
| Decrease in other receivables | 137 | 268 |
| Decrease in input tax credits | 17 | 11 |
| Decrease/(increase) in deferred tax asset | 444 | (1,397) |
| (Decrease)/increase in payables | (5) | 359 |
| (Decrease)/increase in income taxes payable | (404) | 394 |
| Net cash inflow from operating activities | 6,717 | 5,715 |

b) Non-cash financing and investing activities

There were no non-cash financing activities during the year.

14. Commitments

There are no commitments the Trustee is aware of as at the date of this report.

15. Contingent liabilities and contingent assets

There are no outstanding contingent assets or liabilities as at 30 June 2017 and 30 June 2016.

16. Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as at 30 June 2017 or on the results and cash flows of the Fund for the year ended on that date.

17. Related party transactions

(a) Trustee

The Trustee of Emplus Superannuation Fund is Equity Trustees Limited, ABN 46 004 031 298, AFSL 240975, RSE Licence No. L0003094. Amounts paid to the trustee in form of fees and reimbursements are disclosed in note 11(a). As at 30 June 2017, \$ 33,294 (30 June 2016 - \$15,602) was payable to the trustee and is included other payables in the statement of financial position.

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(b) Directors

Key management personnel includes

Mr Geoffroy Robert Rimmer (Director) (Appointed 29 June 2016) (Resigned 04 October 2016)
Mr Harvey Hillary Kalman (Director) (Appointed 29 June 2016)
Mr Philip Dean Gentry (Director) (Appointed 29 June 2016)
Mr Martin Geoffrey Walsh (Director) (Appointed 29 June 2016) (Secretary - Appointed 11 September 2015)
(Resigned as Director and Company Secretary 09 June 2017)
Mr J A (Tony) Killen OAM (Chairman) (Resigned 28 June 2016)
Mr David F Groves (Retired 14 December 2016)
Mr Robin B O Burns (Resigned 5 May 2016)
Ms Alice J M Williams (Resigned 28 June 2016)
The Hon Jeffrey G Kennett AC (Resigned 28 June 2016)
Ms Anne M O'Donnell (Resigned 28 June 2016)
Mr Kevin J Eley (Resigned 28 June 2016)
Mr Michael J O'Brien (Resigned 28 June 2016)
Mr Philip Bruce Maddox (Secretary) (Resigned 25 February 2016)
Mr Ian Westley (Director) (Appointed 12 December 2016)
Ms Carmen Lunderstedt (Secretary) (Appointed 29 January 2016)

None of the directors were members of the Fund.

(c) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

(c) Key management personnel compensation

There have been no transactions between the Trustee and the Fund other than the trustee fees disclosed in note 11. The directors of the Trustee do not receive remuneration directly from the Fund.

d) Other entities with significant influence over the Fund

Promoter

The Promoter and administrator of the Fund is Emplus Superannuation Administration Pty Ltd (ABN 84 114 867 042).

Under the terms of the Promoter Agreement the Promoter is entitled to receive compensation for services provided to the Fund.

Remuneration of the Promoter

There have been no transactions between the Promoter and the Fund other than promoter and administrator fees disclosed on the operating statement. The compensation received or due and receivable by the Promoter from the Fund in connection with services provided to the Fund was \$ 97,795 (2016: \$99,445).

There were no other transactions between the Promoter and the Fund during the year.

DDH Graham Limited owns an interest of 16.67% of Emplus Superannuation Administration Pty Ltd, the promoter of the fund.

Administrator

The Administrator of the Fund is Millenium3 Financial Services Group Pty Ltd (ABN 61 094 529 987).

Under the terms of the Trust Deed the Administrator is entitled to receive compensation for services provided to the Fund.

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Remuneration of the Administrator

The Administrator earned remuneration of \$ 2,109,262 (2016: \$2,309,028) including total administration fee payable of \$ 171,871 (2016: \$181,425) which is outstanding as at 30 June 2017 and is included in other payables in the statement of financial position.

Investments

The Fund held investments in the following schemes which are managed by DDH Graham Limited (ABN 28 010 639 219) (AFSL 226319). Investments are disclosed in the statement of financial position.

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| DDH Cash Fund (DDH Graham Limited as manager) | 7,807 | 8,444 |

18. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| (a) UHY Haines Norton | | |
| <i>(i) Audit and other assurance services</i> | | |
| Audit and review of financial statements and regulatory audit services | 30 | - |
| | <u>30</u> | <u>-</u> |
| (b) Moore Stephens | | |
| <i>(i) Audit and other assurance services</i> | | |
| Audit and review of financial statements and regulatory audit services | - | 32 |
| | <u>-</u> | <u>32</u> |
| (c) Deloitte | | |
| <i>(ii) Other services</i> | | |
| Audit and review of the risk management framework | 5 | 2 |
| | <u>5</u> | <u>2</u> |
| Total auditors' remuneration | <u>35</u> | <u>34</u> |

For the 2017 financial year the amount earned by the auditors including GST was \$34,923 (2016: \$34,706). For the 2016 financial year the difference between amounts disclosed above and \$43,316 represents \$8,580 paid directly by the promoter, EmPlus Superannuation Administration Pty Ltd, to the auditors in respect of audit services for the Fund.

The Promoter is responsible for meeting fund expenses that are in excess of 0.19% of Assets. To do this, The Promoter will pay some expenses directly as they arise during the year, rather than having them paid by the Fund. A reconciliation is done after the end of each financial year to ensure that expense recoveries paid by the fund have not exceeded 0.19%.

Emplus Superannuation Fund

Trustees' declaration

In the opinion of the directors of the Trustee of the Emplus Superannuation Fund (the 'Fund'):

- (i) The accompanying Financial Statements of the Fund are properly drawn up to represent fairly the financial position of the Fund as at 30 June 2017, and the results of its operations and cash flow for the year ended;
- (ii) The operation of the Fund has been carried out in accordance with its Trust Deed, as amended and in compliance with;
 - The requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations;
 - Applicable sections of the *Corporations Act 2001* and Regulations;
 - The requirements under Section 13 of the *Financial Sector (Collection of Data) Act 2001* ; and
- (iii) The accompanying Financial Statements have been drawn up in accordance with Accounting Standards and the Trust Deed, as amended.

Signed in accordance with a resolution of the directors of the Trustee Company, Equity Trustees Superannuation Limited ABN 46 004 031 298.



Managing Director

Signed this 26th day of September 2017

