



MTAA SUPERANNUATION FUND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

**MTAA SUPERANNUATION FUND
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MTAA SUPERANNUATION FUND
Consolidated Statement of Financial Position
As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets			
Cash and cash equivalents	12	39,153	16,335
Receivables		380	1,196
Other assets		171	79
Investments			
Cash		1,555,921	1,260,590
Fixed interest		549,313	504,453
Australian shares		2,490,241	2,342,999
International shares		2,571,400	2,307,824
Global floating rate credit		740,888	511,899
Alternatives credit		202,857	99,189
Property		685,116	561,364
Infrastructure		1,403,400	1,313,485
Private equity		366,577	382,075
Other Investment assets		28,789	36,460
Derivative assets		28,614	96,057
Non financial assets		913	1,329
Deferred tax assets	11	1,474	1,157
Total assets		10,665,207	9,436,491
Liabilities			
Benefits Payable		(252)	(50)
Payables		(25,857)	(24,373)
Income tax receivable/(payable)		(24,468)	3,439
Derivative liabilities		(14,167)	(70,519)
Deferred tax liabilities	11	(167,701)	(92,900)
Total liabilities excluding member benefits		(232,445)	(184,403)
Net assets available for member benefits		10,432,762	9,252,088
Liability for member benefits	6	(10,265,847)	(9,076,509)
Total net assets		166,915	175,579
Equity			
Operational risk reserve	7	(28,789)	(24,419)
Other reserves	7	(138,126)	(151,160)
Total equity		(166,915)	(175,579)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

MTAA SUPERANNUATION FUND
Consolidated Income Statement
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Superannuation activities			
Interest		34,807	25,020
Dividend revenue		541,209	473,261
Changes in fair value of investments	5	523,043	59,370
Other investment income		6,259	3,509
Other income		6	11
Total superannuation activities income		1,105,324	561,171
Investment expenses	9	(32,539)	(37,705)
Administration expenses		(16,739)	(16,424)
Operating expenses	8	(19,681)	(18,363)
Total expenses		(68,959)	(72,492)
Results from superannuation activities before income tax expense		1,036,365	488,679
Income tax (expense)/benefit	11	(83,253)	(4,279)
Results from superannuation activities after income tax expense		953,112	484,400
Net benefits allocated to members' accounts		(961,776)	(420,405)
Operating result after income tax		(8,664)	63,995

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

MTAA SUPERANNUATION FUND
Consolidated Statement of Changes in Member Benefits
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Opening balance of member benefits		9,076,509	8,466,682
Contributions:			
Employer Contributions		705,057	671,347
Member Contributions		80,223	52,617
Transfer from other superannuation entities		146,155	133,962
Government co-contributions		1,211	1,080
Low income super contributions		9,718	10,213
Income tax on contributions		(102,199)	(102,522)
Net after tax contributions		840,165	766,697
Benefits to members or beneficiaries		(583,218)	(551,908)
Insurance premiums charged to members' accounts		(100,558)	(98,854)
Death and disability insurance benefits paid to members or beneficiaries		72,765	75,037
Anti-detriment expenses		(1,591)	(1,546)
Superannuation contributions surcharge		(1)	(4)
Benefits allocated to members' accounts, comprising:			
Net investment income		997,038	450,882
Administration fees		(35,262)	(30,477)
Closing balance of member benefits	6	<u>10,265,847</u>	<u>9,076,509</u>

The above Consolidated Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

MTAA SUPERANNUATION FUND
Consolidated Statement of Changes in Equity/Reserves
For the year ended 30 June 2017

	Note	Operational risk reserve \$'000	Other reserves \$'000	Total Equity \$'000
Opening balance as at 1 July 2016		24,419	151,160	175,579
Net transfers (to)/from reserves		3,424	(3,424)	0
Operating result		946	(9,610)	(8,664)
Closing balance as at 30 June 2017	7	28,789	138,126	166,915
		Operational risk reserve \$'000	Other reserves \$'000	Total Equity \$'000
Opening balance as at 1 July 2015		23,906	87,679	111,585
Net transfers (to)/from reserves		294	110	404
Payment to address an operational risk event		(404)	0	(404)
Operating result		623	63,371	63,995
Closing balance as at 30 June 2016		24,419	151,160	175,579

The above Consolidated Statement of Changes in Reserves should be read in conjunction with the accompanying notes.

MTAA SUPERANNUATION FUND
Consolidated Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Interest received		421	548
Insurance proceeds		72,765	75,037
Other general administration expenses		(35,358)	(34,362)
Other income		6	11
Insurance premiums		(98,713)	(98,854)
Income tax paid		105,855	113,790
Net cash inflows from operating activities	12	<u>44,976</u>	<u>56,170</u>
Cash flows from investing activities			
Purchase of investments		(3,932,225)	(5,412,560)
Proceeds from sale of investment		3,669,512	5,146,460
Capital contribution to Operation Risk Reserve		(3,424)	(1,500)
Sale/(Purchase) of fixed assets		229	0
Investment expenses		(11,606)	(14,248)
Net cash (outflows) from investing activities		<u>(277,514)</u>	<u>(281,848)</u>
Cash flows from financing activities			
Employer contributions		705,057	689,621
Member contributions		80,223	52,617
Transfers from other superannuation funds received		146,155	133,962
Government co-contributions received		1,211	1,080
Low income super contributions		9,718	10,213
Benefits paid to members		(584,809)	(558,154)
Income tax paid on contributions received		(102,199)	(102,522)
Net cash inflows from financing activities		<u>255,356</u>	<u>226,817</u>
Net cash inflows		22,818	1,139
Cash at the beginning of the financial period		16,335	15,196
Cash at the end of the financial period	12	<u>39,153</u>	<u>16,335</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**MTAA SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS**

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MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

1. Operation of the Fund

The MTAA Superannuation Fund (the 'Fund') was established on 31 May 1989 to provide retirement benefits to employees of the motor trades industries. It is a public offer fund and accepts contributions from a range of employers across all industries. The Fund is domiciled in Australia and is registered with the Australian Prudential Regulation Authority (APRA).

The Fund is a defined contribution fund whereby contributions of the employers and the employees are made in accordance with the terms of the Fund's Trust Deed. Members of the Fund are either those employees of Australian based employers who have selected the Fund as the default fund for their employees or those members who have voluntarily selected the Fund.

The Trustee of the Fund is Motor Trades Association of Australia Superannuation Fund Pty Ltd and it is the holder of a public offer class Registrable Superannuation Entity Licence (licence no. L0001069). Its registered office is Level 3, 39 Brisbane Ave, Barton, ACT 2600.

The financial statements were approved by the Board of Directors of the Trustee on 20 September 2017.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are a general purpose financial report which have been prepared in accordance with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, the *Superannuation Industry (Supervision) Act 1993* and regulations and the provisions of the Trust Deed.

The Fund is a not-for-profit entity for the purpose of preparing financial statements.

The principal accounting policies applied in the preparation of these financial statements are set out below.

(b) Adoption of AASB 1056

AASB 1056 *Superannuation Entities* (AASB 1056) is applicable for annual reporting periods beginning on or after 1 July 2016.

The adoption of AASB 1056 has resulted in:

- Changes to the presentation format of the financial statements;
- Changes to the measurement of assets and liabilities from 'net market value' to 'fair value', excluding member liabilities, tax assets and liabilities and insurance assets and liabilities;
- Additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13 *Fair Value Measurement*;
- Member benefits recognised as liabilities rather than equity; and
- Contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses, and are presented in the Statement of Changes in Member Benefits.

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

(b) Adoption of AASB 1056 (continued)

The Fund has applied the new accounting standard retrospectively from the start of the comparative period. The adoption of AASB 1056 had the following impact on the Statement of Financial Position at the transition date of 1 July 2016 for the year ended 30 June 2016:

	Previously reported for the year ended 30 June 2016 \$'000	Restatement \$'000	Transition Adjustment \$'000	Restated total as at 30 June 2016 \$'000
Statement of Financial Position				
Financial instruments				
Change in measurement from net market value to fair value:				
Cash	1,260,441	0	149	1,260,590
Fixed interest	503,934	0	519	504,453
Australian shares	2,336,202	0	6,797	2,342,999
International shares	2,302,775	0	5,049	2,307,824
Global floating rate credit	510,662	0	1,237	511,899
Alternatives credit	98,509	0	680	99,189
Property	693,930	0	(132,566)	561,364
Infrastructure	1,307,210	0	6,275	1,313,485
Private equity	237,760	0	144,315	382,075
Other investment assets	36,411	0	49	36,460
Total financial instruments	9,287,834	0	32,504	9,320,338
Cash and cash equivalents	16,335	0	0	16,335
Receivables - contributions	38,579	(38,579)	0	0
Other receivables	1,196	0	0	1,196
Derivative assets	96,057	0	0	96,057
Deferred tax asset	1,157	0	0	1,157
Current tax assets	3,439	0	0	3,439
Depreciable assets	1,329	0	0	1,329
Prepayments	79	0	0	79
Total assets	9,446,005	(38,579)	32,504	9,439,930
Liabilities				
Benefits payable	7,313	(7,313)	0	0
Accounts Payable	24,423	0	0	24,423
Death and TPD Payable	24,393	(24,393)	0	0
Derivative liabilities	70,519	0	0	70,519
Deferred tax liabilities	92,900	0	0	92,900
Total liabilities	219,548	(31,706)	0	187,842
Total net assets available for member benefits	9,226,457	(6,873)	32,504	9,252,088
Liability for member benefits	(9,083,382)	6,873	0	(9,076,509)
Total Net assets	143,075	0	32,504	175,579
Equity				
Operational Risk Reserve	(24,419)	0	0	(24,419)
Other reserves				
Administration Reserve	(69,983)	0	0	(69,983)
Investment Reserve	(48,673)	0	(32,504)	(81,177)
Total Equity	(143,075)	0	(32,504)	(175,579)

Prior period restatement

Amounts in relation to 'Receivables – Contributions', 'Benefits Payable' and 'Death and TPD Payable' have been restated in the comparative period. The restated amounts more appropriately reflect the time at which the Fund controls the receipt of 'Receivables – Contributions' and is subject to a probable future sacrifice of economic benefits in relation to 'Benefits Payable' and 'Death and TPD Payable'. As such MTAA Superannuation Fund have restated the relevant accounts retrospectively, being a reduction in the prior period opening balance in Liability for members' benefits of \$21,639,000 and in the comparatives as stated in the above note.

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

2. Summary of significant accounting policies (continued)

(b) Adoption of AASB 1056 (continued)

The adoption of AASB 1056 had the following impact on the Income Statement at the transition date of 1 July 2016 for the year ended 30 June 2016:

	As previously reported as at 30 June 2016 0	Transition Adjustment \$'000	Restated total as at 30 June 2016 \$'000
Income Statement			
Profit before income tax previously reported	748,121		748,121
Change in measurement from net market value to fair value	0	32,504	32,504
Member transactions transferred to the Statement of Changes in Members Benefits:			
Employee contributions	0	(671,347)	(671,347)
Members contributions	0	(52,617)	(52,617)
Transfers from other superannuation funds	0	(133,962)	(133,962)
Government co-contributions	0	(1,080)	(1,080)
Low income super contributions	0	(10,213)	(10,213)
Benefits paid to members or beneficiaries	0	551,906	551,906
Surcharge expense	0	4	4
Anti-detriment expenses	0	1,546	1,546
Insurance premiums	0	98,854	98,854
Death and disability benefits	0	(75,037)	(75,037)
Results from superannuation activities before income tax expense	748,121	(259,442)	488,679
Income tax expense/(benefit)	(106,801)	111,080	4,279
Results from superannuation activities after income tax expense	854,922	(370,522)	484,400
Net benefits allocated to members' accounts:			
Net investment income allocated to members accounts	0	(450,882)	(450,882)
Administration fees allocated to members accounts	0	30,477	30,477
	0	(420,405)	(420,405)
Operating result after income tax	854,922	(790,927)	63,995

Prior period restatement

In the prior period, amounts in relation to Contributions and Benefits were disclosed in the Operating Statement. As a result of the implementation of AASB 1056 Superannuation Entities, these amounts have been retrospectively restated in the Statement of Changes in Member Benefits. The restated balances in the comparatives are inclusive of the net impact of the above adjustments in the Statement of Financial Position and the opening prior period adjustment of \$21,639,000, being \$14,719,000.

2. Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations

The Fund applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 July 2016. Apart from AASB 1056, the adoption of these standards and amendments has not had any significant financial impact on the financial statements.

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Fund for the annual reporting period ended 30 June 2017. The impact of these standards and interpretations has been assessed and to the extent applicable to the Fund are outlined in the table below. Standards and interpretations that are not expected to have a material impact on the Fund have not been included.

Accounting Standard and Nature	Application Date of Standard	Application Date for Fund
AASB 9/IFRS 9 Financial Instruments	01-Jan-18	01-Jul-18

On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.

AASB 15 Revenue Recognition

The AASB has issued a new standard for the recognition of revenue. This 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 standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the initial application.

01-Jan-18

01-Jul-18

Other Significant Accounting Policies

(d) Consolidation

The Fund has established a number of special purpose entities (SPE's) for trading, investment, investment administration and support services.

Control is achieved when the Fund:

- * has power over the investee
- * is exposed, or has rights, to variable returns from its involvement with the investee; and
- * has the ability to use its power to affect its returns.

The Fund reassesses whether or not it controls a SPE if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a SPE begins when the Fund obtains control over the SPE and ceases when the Fund loses control of the SPE.

A list of controlled entities is disclosed in Note 16(d).

The Fund has multiple investments which it controls. However, the Fund has determined that it is an investment entity under the definition in AASB 10 Consolidated Financial Statements as it meets the following criteria:

1. The Fund obtains funds from members for the purpose of providing those members with investment management services;
2. The Fund commits to its members that its business purpose is to invest solely for returns from capital appreciation, investment income, or both; and
3. The Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund has concluded that of the controlled SPE's, MTAA Superannuation Fund (Director Co.) Pty Ltd and MTAA Superannuation Fund (Secretariat Co.) Pty Ltd are service entities, that provide investment administration and support services to the Fund.

It has concluded that all other controlled SPE's are Investment Entities as it has established these entities for the purpose of holding investments that generate capital appreciation and investment income. It measures and evaluates the performance of the investments on a fair value basis. As such, these entities have not been consolidated and are accounted for at fair value.

While MTAA Superannuation Fund (Director Co.) Pty Ltd and MTAA Superannuation Fund (Secretariat Co.) Pty Ltd are service entities, and therefore are not classified as Investment Entities, the Fund has deemed them to be immaterial for consolidation purposes.

2. Summary of significant accounting policies (continued)

(e) Financial Instruments

(i) Classification

The Fund's investments are classified at fair value through the Income Statement. They comprise:

Financial instruments held for trading

These instruments are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Fund do not meet the hedge accounting criteria as defined by AASB 139. Consequently, hedge accounting is not applied by the Fund.

Financial instruments designated at fair value through Income Statement upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These investments are managed and their performance is evaluated on a fair value basis in accordance with the Fund's investment strategy.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category short term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through the Income Statement. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

(ii) Recognition/derecognition

Financial assets and financial liabilities are recognised on the date the Fund becomes party to the contractual agreement (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 the 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 the fair value of financial instruments.

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
 - In the absence of a principal market, in the most advantageous market for the asset or liability
- the principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value of investments and derivatives have been determined as follows:

(i) Shares in listed securities quoted on a recognised stock exchange:

Stated at the last quoted sales price as at year end.

(ii) Fixed interest securities:

Stated at last trade quotations at year end.

(iii) Shares in unlisted securities and unit trusts:

Unlisted securities in infrastructure investments are stated at the Trustee's valuation based on the advice of the Fund's investment managers and external valuers at the balance date. Private equity investments are valued on the basis of bid prices as determined by the managers of the trusts at the balance date.

(iv) Pooled superannuation trusts and unit trusts:

Stated at bid price at 30 June 2017 as quoted by the investment managers.

(v) Derivative financial instruments:

The Group uses derivative financial instruments to hedge its exposures to foreign exchange and interest rate risk arising from investment activities. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments including forward exchange contracts and fixed rate futures are recorded at market rates at close of business on the balance date.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Fund commits to purchase the asset.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(h) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is objective evidence that the debt will not be collected. Objective evidence may include indications that the debtor or a Fund of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Payables are carried at nominal amounts which are approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled on 30 day terms.

(i) Non financial assets

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in fair value

Changes in the fair value of investments and derivatives are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the Income Statement.

Interest

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and is recognised in the Income Statement.

Dividends and distributions

Dividend and distribution revenue is recognised when the Fund's right to receive payment is established. Revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately as tax expense in the Income Statement.

Fund Life Insurance Proceeds

Insurance claim amounts are recognised where the insurer has agreed to pay the claim lodged and has transferred the claim amount to the Fund.

(k) Income tax

The Fund is a complying superannuation fund for the purposes of the provisions of the *Income Tax Assessment Act 1997*. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income.

Income tax in the Income Statement for the year comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax

- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

2. Summary of significant accounting policies (continued)

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

(m) Superannuation contribution surcharge

The Superannuation Laws Amendment (Abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

Superannuation Contribution Surcharge is levied on surchargeable contributions for a relevant year on the basis of the individual member's adjusted taxable income for that year. The liability for the Superannuation Contribution Surcharge is recognised when the assessment is received, as the Trustee considers this is when it can be reliably measured.

The superannuation surcharge liability recognised by the Fund has been charged to the relevant members' accounts.

(n) Foreign currency

The functional and presentation currency of the Fund is Australian Dollars, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions

Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, are recognised in the income statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(o) Member liabilities

Member liabilities are measured at the amount of accrued benefits. Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date. Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure defined contribution member liabilities. Unit prices are updated on a daily basis for movements in investment markets. The Fund's management of the investment market risks is as disclosed within note 3.

(p) Reserves

The Fund maintains an Operational Risk Reserve, in accordance with the requirements established by the Australian Prudential Regulatory Authority under Prudential Standard SPS 114 Operational Risk Financial Requirement, and also holds Administration and Direct investment reserves.

The purpose of the Operational Risk Reserve is to provide protection to the Fund in the event that a loss is incurred from an operational risk event occurring. The use of the Operational Risk Reserve is governed by the requirements of SPS 114, which is applicable to all APRA-regulated funds. The current Operational Risk Reserve represents approximately 0.28% (2016: 0.26%) of the net assets of the Fund. The Trustee has an Operational Financial Risk Requirement target of 27.5 basis points.

The Administration Reserve represents that pool of funds required to meet the general operating and administration costs of the Fund and any unexpected or otherwise unforeseeable operating costs that may arise. Administration levies are deducted from members' accounts to fund the Reserve.

The Trustee maintains an Investment Reserve for the purposes of receiving and distributing net investment earnings, (that is, income and capital gains from investments less tax and other relevant deductions). Investment related expenses, including investment related tax expenses, are met from this reserve.

(q) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

For many of the Fund's financial instruments, quoted market prices are readily available. However, certain unlisted financial instruments, such as, infrastructure, property, private equity and alternatives credit are fair valued using valuation techniques. The valuation of these investments will generally require an assessment of their specific cash flows and investment terms, the financial performance of the investment, comparable market sales and purchases and an assessment of the relevant risk adjusted discount rates. The Trustee engages independent accredited valuers to undertake this process and provide an estimate of the market value for these investments on an annual or more frequent basis. Rather than a point estimate value, an independent valuer will often provide a valuation range including low and high point across a variety of reasonable assumptions. The Trustee, with its knowledge of the investment and relevant factors and with advice from its asset consultant, will determine the most appropriate value for the investment within the provided range. An analysis of valuation ranges is provided in Note 4.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

2. Summary of significant accounting policies (continued)

(r) Rounding of amounts

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

3. Financial risk management

The Fund's overall objective is to maximise each member's returns during their working and retirement life while protecting their accumulated retirement savings from large fluctuations during the economic cycle. It aims to deliver solid returns with an acceptable level of risk.

The Trustee's investment strategy is to build a diversified portfolio of assets that balances investment returns and risks. This is achieved by investing in a combination of growth investments (such as equity, infrastructure and property, which are expected to provide growth in the capital value of the investments over time) and defensive investments (such as cash and fixed interest, to generate stable and predictable cash flows with a relatively low level of risk).

The Fund's investment options have various exposures to assets traded frequently in domestic and international markets, as well as to alternative assets which are less frequently traded. Examples of asset classes that are held include:

- cash and fixed interest. These exposures seek to match the performance of the key market indices with minimal relative risk and cost;
- listed shares, which are listed on major stock market exchanges and so returns are subject to the usual market fluctuations and largely reflect the performance of the share market. These exposures seek to modestly outperform the key market indices with low relative risk and cost;
- infrastructure (such as airports, tollways, ports and energy assets);
- property (e.g. landmark buildings);
- private equity (held directly and through funds); and
- alternatives credit.

Many of the assets belonging to the latter four asset classes have long term leases and provide income streams to the Fund. These assets are not directly linked to share markets, so they are expected to provide a buffer against the short term ups and downs of such markets. As there is no quoted trading or redemption value for some of these assets the Trustee has established a valuation program to ensure that independent valuations are regularly undertaken for those assets.

The Trustee continuously monitors risk events that have the potential to affect the value of the portfolio, each asset class and investment option. It also conducts regular stress testing focussed on the Fund's ability to withstand external shocks under potential investment environment scenarios and liquidity stress scenarios. The impacts of these scenarios are considered through the regular review of the Investment Strategy and assist the Trustee in setting the strategic assets allocations for each investment option.

The Fund's activities expose it to a variety of financial risks including market risk (such as price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Fund manages these risks as part of its overall risk management framework.

The Fund has an Investment Governance Framework (IGF) established by the Trustee. The IGF sets out the Trustee's policies and procedures for the selection management and monitoring of investments for the Fund.

The Trustee has assessed the risks and benefit arrangements relating to different categories of members and is of the view that the member base of the Fund is subject to materially the same risks and benefits. Hence, the Fund has not disclosed separately further disaggregated information in this regard.

(a) Market risk

(i) Price risk

Price risk is the risk that the total value of investments will fluctuate as a result of a change in market prices, whether caused by factors specific to an individual investment, its issuer or a factor affecting all instruments traded in the market. The majority of the Fund's investments are through equities (both listed and private) and unit trusts and this exposes it to price risk.

The Trustee mitigates this price risk through diversification across asset classes, countries and investment managers. The Trustee regularly monitors compliance with the IGF, mandates and supporting investment guidelines.

Sensitivity analysis

The following table illustrates the net increase / (decrease) in net assets and net investment revenue from possible changes in price risk that were reasonably possible based on the risk the Fund was exposed to at reporting date. The price risk for each asset class has been determined following analysis of historical and expected movements in the respective asset classes as part of the annual strategic review process.

	Change in variable		Effect on net assets available for member benefits	
	+ / -		+ / -	
	2017	2016	2017	2016
	%	%	%	\$'000
Investments				
Fixed interest	4%	4%	21,973	20,178
Australian shares	13%	13%	323,731	304,590
International shares	15%	15%	385,710	346,174
Other assets	8%	8%	274,210	232,358
			1,005,624	903,300

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3. Financial risk management

(a) Market risk (continued)

(ii) Foreign exchange risk

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of assets denominated in other currencies fluctuate due to changes in exchange rates. The table below outlines the net currency exposure of the Fund comprising both monetary and non-monetary assets.

The Trustee employs currency managers, to manage its foreign currency exposures arising from Funds' International investments. The Fund has split its foreign currency exposures into more portfolios. One reflecting its overseas investments in shares and the other, its foreign investments in the infrastructure, property, private equity and alternative credit asset classes, with separate benchmarks hedge ratios for each portfolio determined by the Fund. These benchmark hedge ratios are determined considering absolute, business and liquidity risk.

The table below summarises the Fund's asset and liabilities that are denominated in a currency other than the Australian dollar. The information in the table below is consistent with the information provided to the Trustee by its currency managers.

2017	US Dollar A\$'000	GB Pound A\$'000	Japanese Yen A\$'000	Euro A\$'000	Other A\$'000	Total A\$'000
Monetary assets						
Foreign exchange contracts **	(940,668)	(254,174)	(85,417)	(272,324)	(95,517)	(1,648,100)
Net monetary asset currency	(940,668)	(254,174)	(85,417)	(272,324)	(95,517)	(1,648,100)
Non monetary	1,572,825	386,076	173,037	459,889	194,082	2,785,909
Net currency exposure	632,157	131,902	87,620	187,565	98,565	1,137,809

2016	US Dollar A\$'000	GB Pound A\$'000	Japanese Yen A\$'000	Euro A\$'000	Other A\$'000	Total A\$'000
Monetary assets	0	0	0	0	0	0
Foreign exchange contracts **	(714,102)	(275,060)	(47,939)	(303,486)	(66,769)	(1,407,356)
Net monetary asset currency	(714,102)	(275,060)	(47,939)	(303,486)	(66,769)	(1,407,356)
Non monetary	1,358,212	414,244	159,353	449,567	132,307	2,513,683
Net currency exposure	644,110	139,184	111,414	146,081	65,538	1,106,327

** Foreign Exchange Contracts are the value of the exchange exposure (rather than the market value of the hedged instruments).

Sensitivity analysis

The following table summarises the sensitivities of the Fund's net assets available to pay benefits to foreign exchange risk. The analysis as at reporting date projects the increase / (decrease) in net assets available to pay benefits from a 10% movement in the Australian dollar at 30 June 2017 (2016 - 10%) against each of the other currencies to which the Fund is exposed. Management considers a 10% movement possible in foreign exchange rates and is appropriate as at reporting date. A 10% (2016 - 10%) weakening in the Australian dollar against these currencies would have an equal but opposite effect.

	US Dollar \$'000	GB Pound \$'000	Japanese Yen \$'000	Euro \$'000	Other A\$'000	Total \$'000
2017	63,216	13,190	8,762	18,756	9,857	113,781
2016	64,411	13,918	11,141	14,608	6,554	110,632

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3. Financial risk management

(a) Market risk (continued)

(iii) Interest rate risk

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cashflows. The risk is measured using sensitivity analysis. The Trustee monitors its fixed interest exposure on a monthly basis. The Fund may also enter into derivative financial instruments to mitigate the risk of future interest rate changes.

There has been no change to the Fund's exposure to market risk or the manner in which it manages and measures market risk since the 2016 reporting period.

The Fund's exposure to interest rate movement on those investments at 30 June 2017 and 30 June 2016 were as follows:

2017	Floating Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial assets			
Investments			
Cash	618,009	937,912	1,555,921
Fixed interest	0	549,313	549,313
Australian equities	0	2,490,241	2,490,241
International equities	0	2,571,400	2,571,400
Global floating rate credit	740,888	0	740,888
Alternatives credit	199,312	3,545	202,857
Other assets	28,789	2,455,093	2,483,882
			0
Cash at bank	39,153	0	39,153
Derivatives	0	28,614	28,614
Other receivables	0	380	380
Prepayments	0	171	171
Total financial assets	1,626,151	9,036,669	10,662,820
			0
Financial liabilities			
Accounts payable	0	25,857	25,857
Total financial liabilities	0	0	25,857

2016	Floating Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial assets			
Investments			
Cash	1,260,590	0	1,260,590
Fixed interest	0	504,453	504,453
Australian equities	0	2,342,999	2,342,999
International equities	0	2,307,824	2,307,824
Global floating rate credit	511,899	0	511,899
Alternatives credit	45,289	53,900	99,189
Other assets	0	2,293,384	2,293,384
Cash at bank	16,335	0	16,335
Derivatives	0	96,057	96,057
Other receivables	0	1,196	1,196
Prepayments	0	79	79
Total financial assets	1,834,113	7,599,892	9,434,005
Financial liabilities			
Accounts payable	0	24,373	24,373
Total financial liabilities	0	24,373	24,373

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3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

Sensitivity Analysis

An increase of 100 basis points (1%) in interest rates would have increased the net assets available to pay benefits and net revenue by \$16,265 thousand (2016: increase of \$13,371 thousand). An equivalent decrease in rates would have decreased net revenue by \$16,265 thousand (2016: decrease of \$13,371 thousand). Management considers a 100 basis points movement in interest rates possible and is appropriate as at reporting date. The following table shows the impact of 100 basis point movement in interest rates on net revenue across the relevant financial assets and liabilities of the Fund:

	2017		2016	
	Impact of 1% increase	Impact of 1% decrease	Impact of 1% increase	Impact of 1% decrease
	\$'000		\$'000	\$'000
Investments				
Cash and deposits	6,180	(6,180)	6,945	(6,945)
Global Floating Rate Credit	7,409	(7,409)	5,107	(5,107)
Alternatives Credit	1,993	(1,993)	902	(902)
Other Investments	288	(288)	242	(242)
Other assets				
Cash at bank	395	(395)	175	(175)
Total Fund	16,265	(16,265)	13,371	(13,371)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations giving rise to a financial loss to the Fund. The Trustee manages this risk through its use of drawdown limits for individual investments, asset class ranges, extensive due diligence analysis of all prospective investments and ongoing performance monitoring of existing investments. These controls are aimed to prevent a significant exposure to any individual counterparty or industry. These controls ensure the Fund is not subject to any concentration of credit risk.

The Fund's maximum exposure to credit risk at 30 June 2017 is the carrying amount of the Fund's financial assets, net of impairment losses reported in the Statement of Financial Position. This exposure is outlined in the following table:

Financial assets	2017	2016
	\$'000	\$'000
Investments		
Cash	1,555,921	1,260,590
Fixed interest	549,313	504,453
Australian shares	2,490,241	2,342,999
International shares	2,571,400	2,307,824
Global floating rate credit	740,888	511,899
Alternative credit	202,857	99,189
Property	685,116	561,364
Infrastructure	1,403,400	1,313,485
Private equity	366,577	382,075
Other investment assets	28,789	36,460
Derivatives	28,614	96,057
Other assets		
Cash at bank	39,153	16,335
Other receivables	551	1,275
Total financial assets	10,662,820	9,434,005

MTAA SUPERANNUATION FUND
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3. Financial risk management (continued)

(b) Credit risk (continued)

The Fund is also exposed to credit risk through amounts due from counterparties relating to forward foreign exchange contracts arising from currency exposure risk management. The following table outlines the counterparty allocation of unrealised profit and loss as at 30 June 2017 and 30 June 2016.

Counterparty **	Currency					
	US Dollar A\$'000	GB Pound A\$'000	Japanese Yen A\$'000	Euro A\$'000	Other A\$'000	Total A\$'000
2017						
ANZ Nominees Ltd	106,517	56,504	13,009	77,315	(253,432)	(87)
Barclays London	58,555				(57,747)	808
CitiBank NA	87,292	(2,965)	9,706	8,601	(101,456)	1,178
Commonwealth Bank of Australia	165,317	81,417		54,333	(300,897)	170
Deutsche Bank AG						
Goldman Sachs		18,103	17,143	10,385	(46,217)	(586)
HSBS Bank plc	61,464	487	10,210	1,914	(73,529)	546
JP Morgan Chase		15,643	4,536	18,412	(38,300)	291
JP Morgan Nominees	22,867	26,318			(48,047)	1,138
National Australia Bank	36,404	92,689		49,810	(180,086)	(1,183)
Royal Bank of Canada	20,777	(1,884)	3,052	4,714	(25,615)	1,044
BNP Paribas					(76)	(76)
UBS AG		2,335	19,329	10,217	(32,194)	(313)
Westpac Banking Corporation	259,456	71,058	11,031	69,329	(399,357)	11,517
Total	818,649	359,705	88,016	305,030	(1,556,953)	14,447
2016						
ANZ Nominees Ltd	52,877	0	0	(39,036)	(11,978)	1,863
Barclays London	31,060	0	0	0	(33,492)	(2,432)
CitiBank NA	207,933	0	0	0	(203,459)	4,474
Commonwealth Bank of Australia	(4,873)	1,512	0	12,823	6,189	15,651
Deutsche Bank AG	0	0	0	0	0	-
Goldman Sachs	0	(17,781)	26,145	(13,937)	9,134	3,561
HSBS Bank plc	0	26,495	0	71,494	(91,373)	6,616
JP Morgan Chase	64,502	(41,215)	0	(100,044)	78,848	2,091
JP Morgan Nominees	0	(5,547)	0	0	4,667	(880)
National Australia Bank	6,769	(6,434)	0	15,305	(15,926)	(286)
Royal Bank of Canada	0	(41,560)	0	19,210	23,114	764
BNP Paribas	0	0	11,933	(19,441)	1,456	(6,052)
UBS AG	179,996	(9,865)	0	1,018	(171,064)	85
Westpac Banking Corporation	0	0	0	0	85	85
Total	538,264	(94,395)	38,078	(52,608)	(403,799)	25,540

** Forward foreign exchange contracts where there is an unrealised hedge loss are included for completeness although the Fund is not exposed to credit risk through these specific contracts.

3. Financial risk management (continued)

(c) Liquidity risk

The Fund utilises a number of liquidity management tools. These include liquidity ratios, which monitor changes in the Fund's liquidity position over time; outlook charts, which describe the Fund's forecast allocation to illiquid assets; and liquidity stress testing, which is undertaken to test the Fund's resilience to liquidity shocks. In addition the Trustee closely monitors the sources and uses of liquidity, including member contribution, switching and benefit payment patterns. This monitoring program allows the Fund to manage liquidity to ensure the Fund can meet liabilities as and when they fall due.

The Fund's market listed investments are considered to be readily realisable. The Trustee recognises and accepts that, in general, unlisted assets will not be as liquid. The Fund's allocation to unlisted assets aims to improve returns as a result of the Fund's ability to invest in less liquid assets; however, there is a risk that the Fund may not be able to liquidate all of these assets at their net market value in order to meet its liquidity requirements. The Trustee has considered the risk of a critical liquidity event and has developed a framework and processes within its Liquidity Policy for dealing with such a scenario.

The following tables summarise the contractual maturities of the Fund's financial liabilities, based on the remaining period to the contractual maturity date at the year end and represent the earliest date on which the Fund could be required to pay.

30-Jun-17	1 year or less A\$'000	1 to 5 years A\$'000	> 5 years A\$'000	Total A\$'000
Financial liabilities				
Accounts payable	26,109	0	0	26,109
Member liabilities	10,265,847	0	0	10,265,847
Derivatives				
Inflows	1,793,040	0	0	1,793,040
(Outflows)	(1,778,593)	0	0	(1,778,593)
Total derivatives	14,447	0	0	14,447

30-Jun-16	1 year or less A\$'000	1 to 5 years A\$'000	> 5 years A\$'000	Total A\$'000
Financial liabilities				
Accounts payable	24,423	0	0	24,423
Member liabilities	9,076,509	0	0	9,076,509
Derivatives				
Inflows	5,024,610	0	0	5,024,610
(Outflows)	(4,999,072)	0	0	(4,999,072)
Total derivatives	25,538	0	0	25,538

Member liabilities (refer Note 6) has been included in the less than one year column, as this is the amount that members could call upon as at year-end. This is the earliest date on which the Fund can be required to pay members' vested benefits, however members may not necessarily call upon amounts vested to them during this time.

Derivatives have been disclosed on a gross settlement basis and are based on the remaining period to the contractual maturity date at the year end.

(d) Derivative financial instruments

The use of derivatives is an essential part of the Trustee's investment management. Derivatives are not managed in isolation. The Trustee enters into derivative contracts to hedge its foreign currency and its interest rate exposure. Derivatives may also be held within the Fund's separately managed Australian Equity and International Equity portfolios to reduce risk. Derivatives are not used to leverage any investments of the Fund. The following table outlines the risk exposures relating to derivatives held by the Fund as well as the market values of those contracts as at balance date.

	Notional Effective Exposure \$'000	Net Market Value \$'000
2017		
Forward foreign exchange contracts	(1,778,593)	14,447
Total	(1,778,593)	14,447

	Notional Effective Exposure \$'000	Net Market Value \$'000
2016		
Forward foreign exchange contracts	(4,999,072)	25,538
Total	(4,999,072)	25,538

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4. Fair value measurements

(a) Fair value hierarchy

AASB 7 requires the Fund to classify 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1). These inputs are readily available in the market and are normally obtainable from multiple sources.
- 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 (that is, derived from prices) (level 2). These inputs must be observable for substantially the full term of the financial instrument.
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). This includes any instrument that is not categorised in Level 1 or Level 2 and includes assets that are subject to various valuations methodologies to determine their fair value.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety, is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2017 and 30 June 2016. As outlined in Note 2 (q), the Trustee engages independent accredited valuers to provide an estimate of the market value for these investments on an annual or more frequent basis. The Trustee with its knowledge of the investment and relevant factors and with advice from its asset consultants, will determine the most appropriate value for the investment within a provided range. An analysis of the valuation ranges for these assets is provided in Note 4(b). There were no transfers between Level 1 and 2 in the period.

2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash	704,419	851,502	0	1,555,921
Fixed interest	0	549,313	0	549,313
Australian shares	2,490,241	0	0	2,490,241
International shares	2,571,400	0	0	2,571,400
Global floating rate credit	0	740,888	0	740,888
Alternatives credit	0	0	202,857	202,857
Property	0	0	685,116	685,116
Infrastructure	140,835	0	1,262,565	1,403,400
Private equity	0	0	366,577	366,577
Other investment assets	28,789	0	0	28,789
Derivatives assets	0	28,614	0	28,614
Total	5,935,684	2,170,317	2,517,115	10,623,116
Derivative liabilities	0	14,167	0	14,167
Total financial assets/liabilities	5,935,684	2,156,150	2,517,115	10,608,949
2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash	694,531	566,059	0	1,260,590
Fixed interest	0	504,453	0	504,453
Australian shares	2,342,999	0	0	2,342,999
International shares	2,307,824	0	0	2,307,824
Global floating rate credit	0	511,899	0	511,899
Alternatives credit	0	45,868	53,321	99,189
Property	0	0	561,364	561,364
Infrastructure	137,442	73,884	1,102,159	1,313,485
Private equity	0	0	382,075	382,075
Other investment assets	24,200	0	12,260	36,460
Derivatives assets	0	96,057	0	96,057
Total	5,506,996	1,798,220	2,111,179	9,416,395
Derivative liabilities	0	70,519	0	70,519
Total financial assets/liabilities	5,506,996	1,727,701	2,111,179	9,345,876

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4. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

2017	Opening balance \$'000	Transfers from Level 2 to Level 3	Gains/ (Losses) \$'000	Net contributions \$'000	Net distributions \$'000	Closing balance \$'000
Alternatives credit	53,321	43,323	5,210	103,175	(2,172)	202,857
Property	561,364	0	47,072	64,247	12,433	685,116
Infrastructure	1,102,159	71,942	74,015	(69,623)	84,072	1,262,565
Private equity	382,075	0	(29,425)	(24,991)	38,918	366,577
Other unlisted assets	12,260	0	(13,260)	(12,356)	13,356	0
Total	2,111,179	115,265	83,612	60,452	146,607	2,517,115

2016	Opening balance \$'000	Transfers from Level 2 to Level 3	Gains/ (Losses) \$'000	Net contributions \$'000	Net distributions \$'000	Closing balance \$'000
Alternatives credit	55,955	0	(1,341)	(4,232)	2,939	53,321
Property	553,683	0	100,570	66,189	(159,078)	561,364
Infrastructure	933,176	0	144,467	5,832	18,684	1,102,159
Private equity	562,952	0	63,582	(278,001)	33,542	382,075
Other investment assets	10,657	0	1,603	(779)	779	12,260
Total	2,116,423	0	308,881	(210,991)	(103,134)	2,111,179

(b) Analysis of valuation ranges

The Trustee engages independent valuers to provide an estimate of the net market value at balance date. Valuers often provide a range of values for an investment across a variety of reasonable assumptions, including a point estimate within the range, and the Trustee, with advice from its asset consultant, will determine the most appropriate value within the provided range. The following table shows the high and low points of the independent valuation ranges for each investment class against the values adopted by the Trustee as at 30 June 2017 and 30 June 2016. The high and low points of the ranges represent reasonably possible alternatives to the Fund values adopted at balance date.

30-Jun-2017			
Investment Class	Low Point Value	High Point Value	Adopted Value
	\$m	\$m	\$m
Alternatives credit	203	203	203
Property	685	686	685
Infrastructure	1,186	1,341	1,263
Private equity	364	369	367
Total	2,438	2,599	2,518

30-Jun-2016			
Investment Class	Low Point Value	High Point Value	Adopted Value
	\$m	\$m	\$m
Alternatives credit	53	53	53
Property	560	562	561
Infrastructure	1,065	1,139	1,102
Private equity	380	385	382
Total	2,058	2,139	2,098

4. Fair value measurement (continued)

(b) Analysis of valuation ranges (continued)

The table below sets out information about significant unobservable inputs used at 30 June 2017 and 30 June 2016 in measuring financial instruments categorised as Level 2 and Level 3 in the fair value hierarchy.

Asset category	Level 2	Level 3	Valuation techniques	Key unobservable inputs	Relationship of unobservable
Cash	851,502	N/A	Discounted cash flows (DCF) valuation	N/A	N/A
			Comparison to similar instruments for which market observable prices exist		
Fixed interest *	549,313	N/A	Broker quotes	N/A	N/A
			DCF valuation		
Global floating rate credit	740,888	N/A	Broker quotes	N/A	N/A
			DCF valuation		
Currency hedges (net of derivative assets and liabilities)	14,447	N/A	DCF valuation based on forward exchange rates at 30 June 2017 and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Alternatives credit	N/A	202,857	Cost of capital	Weighted average cost of capital	The higher the cost of capital, the lower the fair value. The higher the probability of default, the lower the fair value.
Infrastructure*	N/A	1,262,565	Discounted Cash Flow (DCF) analysis	Revenue cash flows	The higher the revenue growth rate, the higher the fair value.
				Pre-tax operating margins	The higher the pre-tax operating margin, the higher the fair value.
				Weighted average costs of capital	The higher the weighted average cost of capital, the lower the fair value.
				Discount rate	The higher the discount, the lower the fair value.
				Terminal value of the asset	The higher the terminal value, the higher the fair value.
			Net asset value	Similar to key unobservable inputs for discounted cash flow valuations above	An increase in the value of the investments of the unit trust will result in higher fair values. Reductions would result in lower fair values.

* Includes Australian and International

4. Fair value measurement (continued)

(b) Fair value hierarchy (continued)

Private equity*	N/A	366,577	DCF analysis	Revenue cash flows	The higher the revenue growth rate, the higher the fair value.
				Pre-tax operating margins	The higher the pre-tax operating margin, the higher the fair value.
				Weighted average cost of capital	The higher the weighted average cost of capital, the lower the fair value.
				Discount rate	The higher the discount, the lower the fair value.
				Terminal value of the asset	The higher the terminal value, the higher the fair value.
			Capitalisation of income	Net income	The higher the capitalisation rate of net income, the lower the fair value.
				Capitalisation rate	

* Includes Australian and International

4. Fair value measurement (continued)

(b) Analysis of valuation ranges (continued)

Property	N/A	685,116	DCF analysis	Revenue cash flows	The higher the revenue growth rate, the higher the fair value.
				Pre-tax operating margins	The higher the pre-tax operating margin, the higher the fair value.
				Weighted average costs of capital	The higher the weighted average cost of capital, the lower the fair value.
				Discount rate	The higher the discount, the lower the fair value.
			Terminal value of the asset	The higher the terminal value, the higher the fair value.	
			Net asset value	Similar to key unobservable inputs for discounted cash flow valuations and/or direct comparison approach	An increase in the value of the investments of the unit trust will result in higher fair values. Reductions would result in lower fair values.
			Capitalisation of income	Net income Capitalisation rate	The lower the capitalisation rate of net income, the higher the fair value.
			Direct comparison approach	Asset-specific factors which affect the selling price of a comparable unit, e.g. supply at date of sale, condition of property	The higher the sales value rate of a comparative unit, the higher the fair value.

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

5. Changes in fair value of investments

	2017	2016
	\$'000	\$'000
Investments held at balance date		
Cash	3,590	2,340
Fixed interest	(12,389)	17,779
Australian shares	182,909	57,901
International shares	295,326	(155,680)
Global floating rate credit	5,739	2,450
Alternative credit	3,474	(1,423)
Property	57,615	56,968
Infrastructure	81,812	182,230
Private equity	(34,669)	(24,815)
Other investment assets	0	1,603
Derivatives	14,447	25,538
	<u>597,854</u>	<u>164,891</u>
Investments realised during the year		
Cash	(205)	0
Fixed interest	(580)	(31,468)
Australian shares	42,147	(60,788)
International shares	(128,812)	(116,186)
Global floating rate credit	(336)	453
Alternative credit	(421)	(309)
Property	(10,462)	43,604
Infrastructure	(6,381)	(440)
Private equity	(285)	87,813
Other investment assets	(12,260)	0
Derivatives	42,784	(28,200)
	<u>(74,811)</u>	<u>(105,521)</u>
Changes in fair value of investments	<u>523,043</u>	<u>59,370</u>

The amounts recorded as 'realised gains/(losses)' above is the difference between the fair value at sale and the carrying amount at the beginning of the reporting period or when/if acquired during the year.

6. Liability for member benefits

Member account balances are determined by unit prices that are determined based on the underlying investment movements.

Members bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Unit prices are updated daily.

At 30 June 2017 \$350,731 (2016: \$628,321) have not been allocated to members'. The amount not yet allocated to members' accounts consists of contributions received by the Fund that have not been able to be allocated to members' as at balance date.

Refer to Note 3 for the Fund's management of the investment risks.

Member liabilities vest 100% to members.

	2017	2016
	\$'000	\$'000
Members liability at end of the financial year	<u>10,265,847</u>	<u>9,076,509</u>
As compared to net assets available to pay benefits	<u>10,432,762</u>	<u>9,252,088</u>

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

7. Reserves

	2017	2016
	\$'000	\$'000
Operational Risk Reserve		
Opening balance	24,419	23,906
Investment revenue	946	623
Transfer from Administration Reserve	3,424	294
Payment to address an operational risk event	0	(404)
Closing balance	<u>28,789</u>	<u>24,419</u>
Other Reserves		
	2017	2016
	\$'000	\$'000
Administration Reserve		
Opening Balance	69,981	50,888
Fees deducted from members	35,262	30,476
Transfer from investment reserve for asset fee	0	3,238
Sundry income	6	11
Transfer into reserve from Operational Risk Reserve	0	404
Administration fees	(16,739)	(16,424)
Operating expenses	(19,681)	(18,363)
Tax expense	16,810	20,045
Transfer out of reserve to Operational Risk Reserve	(3,828)	(294)
Closing balance	<u>81,811</u>	<u>69,981</u>
Investment Reserve		
Opening balance	81,176	36,791
Investment revenue	1,104,778	560,537
Interest allocated to members' funds	(997,038)	(450,882)
Investment expenses	(32,539)	(37,705)
Tax expense	(100,062)	(24,324)
Transfer to Administration Reserve for asset fee	0	(3,238)
Closing balance	<u>56,315</u>	<u>81,179</u>
Total other reserves	<u>138,126</u>	<u>151,160</u>

Refer to note 2(p) for further information on the Fund's Reserves.

8. Operating expenses

	2017	2016
	\$'000	\$'000
Advertising and sponsorships	5,845	4,855
Professional services fees	621	389
BDM expenses	2,231	2,198
Regulatory fees	931	1,102
Secretariat expenses	4,961	5,034
Trustee expenses	1,036	881
Other operating expenses	4,056	3,904
Total operating expenses	<u>19,681</u>	<u>18,363</u>

9. Investment expenses

	2017	2016
	\$'000	\$'000
Investment management and performance fees	20,346	24,748
Trustee expenses	622	579
Investment consulting fees	7,376	8,477
Secretariat expenses	2,497	2,279
Other investment expenses	1,698	1,621
Total investment expenses	<u>32,539</u>	<u>37,705</u>

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

10. Insurance

The Fund provides death and disability benefits to members. These benefits are greater than the members' vested benefits and as such the Trustee has a Fund policy in place with a third party to insure death and disability benefits in excess of vested benefits. The Trustee acts as an agent for these arrangements.

11. Income Tax

	2017	2016
	\$'000	\$'000
(a) Major components of income tax expenses:		
Income Statements		
<i>Current tax expenses:</i>		
- Current tax charge	126,929	66,253
- Adjustments in respect of current income tax of previous years	2,305	5,455
<i>Deferred tax:</i>		
- Relating to the originating and reversal of temporary differences	(45,981)	(67,429)
Income tax expense as reported in the income statement	83,253	4,279

(b) Reconciliation between income tax expenses and the accounting profit before income tax

Profit/(loss) from operating activities	1,036,365	488,679
Income tax at 15%	155,455	73,302
Imputation credits and other tax credits	(34,944)	(34,608)
Investment income	(9,470)	(7,527)
(Over)/Under provision in prior years	(2,305)	(5,455)
Exempt pension income	(7,267)	(3,372)
Insurance premiums tax benefit	(11,411)	(14,828)
Tax allocated to members funds	(6,805)	(3,233)
	83,253	4,279

The above Income Tax expense is separate to the \$102,199m tax on members' contributions disclosed on the Consolidated Statement of Changes in Member Benefits.

(c) Deferred tax

	2017		
	Opening balance	Charged to income	Closing balance
	\$'000	\$'000	\$'000
Deferred tax assets			
Other	1,157	317	1,474
	<u>1,157</u>	<u>317</u>	<u>1,474</u>
Deferred tax liabilities			
Unrealised investment income	10,277	(3,003)	7,274
Unrealised gains in investment subject to CGT	82,623	77,804	160,427
	<u>92,900</u>	<u>77,804</u>	<u>167,701</u>
	2016		
	Opening balance	Charged to income	Closing balance
	\$'000	\$'000	\$'000
Deferred tax assets			
Other	1,235	(78)	1,157
	<u>1,235</u>	<u>(78)</u>	<u>1,157</u>
Deferred tax liabilities			
Unrealised investment income	0	10,277	10,277
Unrealised gains in investment subject to CGT	61,916	82,623	82,623
	<u>61,916</u>	<u>92,900</u>	<u>92,900</u>

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

12. Cash flow statement reconciliation

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Reconciliation of cash		
The figure shown for cash in the Statement of Cash Flows consists of:		
Cash and cash equivalents	<u>39,153</u>	<u>16,335</u>
Reconciliation of net profit after income tax to net cash from operating activities		
Profit/(loss) after income tax	(8,664)	63,995
Adjusted for:		
(Increase) / decrease in assets measured in fair value	(1,072,357)	(527,068)
Depreciation and impairment	187	11
(Increase) / decrease in insurance	(25,950)	(24,172)
(Increase) / decrease in receivables	(92)	(473)
Increase / (decrease) in payables	966	5,402
Increase / (decrease) in income tax payable	189,110	118,070
Allocation to members' accounts	961,776	420,405
Net cash inflow/(outflow) from operating activities	<u>44,976</u>	<u>56,170</u>

13. Commitments

As at 30 June 2017, the Fund had commitments of \$38,686 thousand (2016: \$45,475 thousand) in respect of uncalled elements of its investments. The uncalled commitments relate to the Fund's private equity investments, property and infrastructure investments. Time bands cannot be placed on those commitments, as it is difficult to predict the exact timing and pace of capital calls for any commitment based investment.

14. Contingent assets and liabilities

There were no material contingent assets or liabilities at the reporting date (2016:nil).

15. Significant events after balance date

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the operation of the Fund, the result of those operations, or the state of affairs of the Fund in future financial years.

16. Related parties

(a) Trustee and key management personnel

The Trustee of the Fund throughout the year was Motor Trades Association of Australia Superannuation Fund Pty Limited (ABN 14 008 650 628), the directors of which are:

Independent Chairman

J. Brumby

Independent Directors

V. L. Allen (ceased 28 February 2017)

S. Dahn

A. O'Donnell (appointed 1 March 2017)

Employer Nominated Directors

D. A. Rowland*

P. Perdikaris*

B. Hatcher*

Employee Nominated Directors

R. O'Donnell*

D. Smith*

S. Walpole*

Executives

L. Turner (Chief Executive Officer)

M. Sykes* (Deputy Chief Executive Officer & Executive Manager, Finance)

P. Brown (Executive Manager, Investments)

C. Porter* (Executive Manager, Operations)

M. Irving* (Executive Manager, Marketing, Communications, Education & Advice)

T. Jarosz (Executive Manager, Governance)

* These persons are members of MTAA Superannuation Fund. Their membership terms and conditions are the same as those applied to other members of the Fund.

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

16. Related parties (continued)

(b) Compensation of key management personnel

The Trustee Directors are remunerated for their services to the Trustee and the Fund. Directors are paid an annual fixed amount.

Compensation of the Trustee's Directors and the executives as listed in 18(a) was:

	2017	2016
	\$	\$
Short-term employer benefits	2,259,789	2,228,285
Post-employment benefits	209,521	194,006
	<u>2,469,310</u>	<u>2,422,291</u>

All key management personnel are also reimbursed for reasonable expenses incurred in carrying out their duties for the Trustee.

Details of the remuneration in bands for the Trustee's Directors are outlined in the table below.

Remuneration band	2017	2016
\$0 - \$25,000	0	0
\$25,001 - \$50,000	1	0
\$50,001 - \$75,000	1	0
\$75,001 - \$100,000	7	8
\$100,001 - \$125,000	0	0
\$125,001 - \$150,000	0	1
\$150,001 - \$175,000	1	0
	<u>10</u>	<u>9</u>

Details of the remuneration in bands for the Fund's Executive are outlined in the table below:

Remuneration band	2017	2016
\$0 - \$175,000	0	0
\$175,001 - \$225,000	2	2
\$225,001 - \$275,000	2	3
\$275,001 - \$325,000	1	0
\$325,001 - \$400,000	0	0
\$401,001 - \$475,000	1	1
	<u>6</u>	<u>6</u>

(c) Related party transactions

Motor Trades Association of Australia Superannuation Fund Pty Limited

Motor Trades Association of Australia Superannuation Fund Pty Limited, the Trustee, is fully reimbursed from the Fund for all expenditure incurred on its behalf.

Motor Trades Association of Australia Ltd

Motor Trades Association of Australia Ltd ("MTAA Ltd") is an employer sponsor to the Fund and the shareholder of the Trustee. There were no services acquired from or payments to MTAA Ltd in the current reporting period (2016: Nil).

MTAA Superannuation Fund (Secretariat Co.) Pty Ltd

MTAA Superannuation Fund (Secretariat Co.) Pty Ltd ("Secretariat Co.") is wholly owned by the Fund. The Fund utilises Secretariat Co. as a management services company through which it engages staff to provide secretariat and related support services to the Fund.

Secretariat Co.'s running costs are reimbursed on a full cost recovery basis from the Fund. This amounts to \$11,047,545 for the 2017 year (2016: \$10,315,925).

The Fund's Chairman, J. Brumby, the Fund's CEO, L. Turner and D. Rowland are Directors of Secretariat Co. as at balance date. There are no Directors' fees paid or payable to Directors.

MTAA Superannuation Fund (Director Co.) Pty Ltd

The Fund utilises MTAA Superannuation Fund (Director Co.) Pty Ltd ("Director Co"), a wholly owned subsidiary, as a vehicle to engage consultants with relevant skills as appointees to investee company boards, where the Fund's interest is sufficient to enable it to have representation on the board of the investment. The role of Director Co is to receive any board related fees from the investee companies, administer the relevant consultants' agreements and remit fees to each consultant in line with those agreements. Director Co does need to recover some monies from the Fund from time to time, for some contracts and for the reimbursement of reasonable travel and accommodation costs. Net recoveries from the Fund to Director Co during the year amounted to \$110,000 (2016: \$150,311).

Director Co did not engage or pay any of the Fund's Directors or key management personnel during the reporting period.

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

16. Related parties (continued)

Industry Super Holdings

MTAA Superannuation Fund has a 4.6% holding in Industry Super Holdings Pty Ltd (ISH) (2016: 4.6%), which through the following subsidiaries provides services to the Fund as follows:

IFS Insurance Solutions Pty Ltd (IFSIS) provides insurance broking and insurance consulting services to MTAA Superannuation Fund. These services are provided under normal commercial terms and conditions. Fees for services provided during the year amounted to \$45,491 (2016: \$56,343).

Industry Fund Credit Control Pty Ltd (IFCC) provides debt collection services to MTAA Superannuation Fund. These services are provided under normal commercial terms and conditions. There were no services acquired from or payments to IFCC in the current reporting period (2016: \$3,620).

Industry Fund Financial Planning (IFFP) provides financial planning services to the MTAA Superannuation Fund for the Fund's members. These services are provided under normal commercial terms and conditions. Fees for services provided during the year amounted to \$535,075 (2016: \$465,660).

Industry Super Australia (ISA) provides marketing, research and policy information services. MTAA Super jointly funds the marketing campaign of ISA and contributes funding for policy development and research. Fees for services provided during the year amounted to \$1,587,364 (2016: \$nil).

L. Turner and J. Brumby were directors of ISA during the financial year. John Brumby ceased as a director of ISA effective 31 December 2016. There was no remuneration paid for these directorships.

(d) Controlled entities

The accounting policy for controlled entities is outlined in note 2(d).

Each SPE's principal place of business is 39 Brisbane Avenue, Barton, ACT 2600. The following table is a list of all active SPE's during the reporting period, the relevant asset class and the Fund's ownership interest in each. Dormant entities have not been listed.

	Ownership Interest %	
	2017	2016
Property		
MTAA Superannuation Fund (60 Margaret Street, Sydney) Property Pty Ltd *	100%	100%
MTAA Superannuation Fund (121 Marcus Clarke Street - Parking) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (121 Marcus Clarke Street) - Property Pty Ltd *	100%	100%
MTAA Superannuation Fund (40 Market Street) Property Pty Ltd *	100%	100%
MTAA Superannuation Fund (Alkimos) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Chapel Street) Property Pty Ltd*	100%	100%
MTAA Superannuation Fund (Flagstone Creek and Spring Mountain Park) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Storage) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Storage No. 1) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Storage No. 2) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Stores) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports) Utilities Pty Ltd	100%	100%
MTAA Superannuation Fund (R. G. Casey Building) Property Pty Ltd *	100%	100%
Infrastructure		
MTAA Superannuation Fund (Air-Serv International Holding) Utilities Pty Ltd	100%	100%
MTAA Superannuation Fund (Latin Power) Utilities Pty Ltd	100%	100%
MTAA Superannuation Fund (MIP) Infrastructure Pty Ltd	100%	100%
MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd	100%	100%
Private Equity		
MTAA Superannuation Fund (Companion Funds) Private Equity Investments Pty Ltd	100%	100%
MTAA Superannuation Fund (Icon Parking Services) Utilities No. 1 Pty Ltd	100%	100%
MTAA Superannuation Fund (Icon Parking Services) Utilities No. 2 Pty Ltd	100%	100%
MTAA Superannuation Fund (MGOP) Private Equity Investments Pty Ltd	100%	100%
MTAA Superannuation Fund (SALSA) General Partner Pty Ltd	100%	100%
MTAA Superannuation Funds (SALSA) Research and Development Pty Ltd	100%	100%
Service Entities		
MTAA Superannuation Fund (Director Co.) Pty Ltd	100%	100%
MTAA Superannuation Fund (Secretariat Co.) Pty Ltd	100%	100%

The Fund has used borrowings in both the current and comparative years within a number of SPE's which are indicated by (*) in the table above. A summary of each SPE's borrowing arrangements is outlined below.

- MTAA Superannuation Fund (60 Margaret Street, Sydney) Property Pty Ltd

MTAA Superannuation Fund (60 Margaret Street, Sydney) Property Pty Ltd ("60 Margaret St") acts as trustee for the MTAA Superannuation Fund (60 Margaret Street, Sydney) Property Trust. 60 Margaret St held a 50% interest in the commercial office building at 60 Margaret St Sydney NSW. 60 Margaret St sold its 50% interest in 2016 and discharged all its bank obligations at that time.

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

16. Related parties (continued)

- MTAA Superannuation Fund (121 Marcus Clarke Street) Property Pty Ltd

MTAA Superannuation Fund (121 Marcus Clarke Street) Property Pty Ltd ("121 MC Street") acts as trustee for the MTAA Superannuation Fund (121 Marcus Clarke Street) Property Trust. 121 MC Street holds 100% interest in the commercial office building at 121 Marcus Clarke St in Civic, ACT.

The SPE has an interest only loan of \$69,100,000. The former three-year loan term expired on 30 June 2017 and the loan was refinanced on an interest only basis for a further five years. The facility will mature on 30 June 2022 and the limit on the facility has been reduced from \$77,000,000 to \$69,100,000. The average variable rate on the loan for the year ending 30 June 2017 was 1.88% (2016: 2.318%).

The SPE has entered a fixed interest rate swap on 23 April 2014 for the full amount of the loan facility at a fixed rate of 3.46%. This swap will mature on 30 June 2022 for the full amount of the facility at a fixed rate of 2.36%.

The 121 MC Street loan is secured by the registered first mortgage over 121 MC Street's property, first registered Company Charge from all of 121 MC Street's assets and undertaking held as trustee of the Trust. The SPE did not breach any of its covenants during the year.

- MTAA Superannuation Fund (Chapel Street) Property Pty Ltd

MTAA Superannuation Fund (Chapel Street) Property Pty Ltd ("Chapel Street"), acts as trustee for the MTAA Superannuation Fund (Chapel Street) Property Trust. Chapel Street holds the Fund's 100% interest in the 670 Chapel Street, Vogue Plaza building in South Yarra, Melbourne, Victoria.

The SPE has a 5-year interest only loan of \$46m. The loan will mature on 22 December 2020. The average variable rate on the loan for the period ending 30 June 2017 was 1.71% (2016: 2.13%).

The SPE entered into a 5 -year fixed interest rate swap for the full amount of the Chapel Street loan as of 22 December 2015 to 22 December 2020. The fixed rate in the swap is 2.44%.

The bank loan is secured by the first mortgage over Chapel Street's interest in the property at 670 Chapel Street, Melbourne, a letter of support from the Trustee of the MTAA Superannuation Fund and a first registered General Security Deed from Chapel Street over all its assets and undertakings held as trustee of the MTAA Superannuation Fund

- MTAA Superannuation Fund (RG Casey) Property Pty Ltd

MTAA Superannuation Fund (RG Casey) Property Pty Ltd ("RG Casey"), acts as trustee for the MTAA Superannuation Fund Property (RG Casey Building) Trust. RG Casey holds the Fund's 100% interest in the RG Casey Building in Brisbane Ave, Barton, ACT.

The SPE entered into a new 3.5-year interest only loan of \$154,100,000 as of 28 December 2012 after finalisation of a further 15-year lease with the tenant. The loan was further refinanced on 29 July 2016 for another 7 years in the amount of \$155,000,000. The average variable rate on the loan for the year ending 30 June 2017 was 1.93% (2016: 2.2%).

In July 2016 RG Casey entered into a 7-year fixed interest rate swap for the full amount of the facility. The fixed rate in the swap is 3.525%.

The bank loan is secured by the first mortgage over RG Casey's interest in the property at Brisbane Avenue, a letter of support from the Trustee of the MTAA Superannuation Fund and a first registered company charge from RG Casey over all its assets and undertakings held as Trustee of the MTAA Superannuation Fund (RG Case) Property Trust. The SPE did not breach any of its covenants during the year.

- MTAA Superannuation Fund (40 Market Street) Property Pty Ltd

MTAA Superannuation Fund (40 Market Street) Property Pty Ltd ("40 Market Street"), acts as trustee for the MTAA Superannuation Fund Property (40 Market Street) Property Trust. 40 Market Street holds the Fund's 100% interest in the 40 Market Street building in Melbourne, Victoria.

The SPE entered into a 7-year interest only loan of \$48m as on 6 May 2015. The average variable rate on the loan for the period ending 30 June 2017 was 1.81% (2016: 2.20%).

The SPE also entered into a 7 year fixed interest rate swap for the full amount of the loan as of 6 May 2015 to 6 May 2022. The fixed rate in the swap is 3.03%.

The bank loan is secured by the first mortgage over 40 Market Street's interest in the property in Melbourne, a letter of support from the Trustee of the MTAA Superannuation Fund and a first registered company charge from 40 Market Street over all its assets and undertakings held as trustee of the MTAA Superannuation Fund (40 Market Street) Property Trust. The company did not breach any of its covenants during the year.

Other related parties

L. Turner is a Director of all of the above SPE's (except MTAA Superannuation Fund (Flagstone Creek and Spring Mountain Park) Property Pty Ltd). There was no remuneration paid for these directorships

G. Kochel, the Fund's Property Manager is a director of MTAA Superannuation Fund (Flagstone Creek and Spring Mountain Park) Property Pty Ltd. No director fee is paid for the directorship.

ANU MTAA Super Venture Capital Partnership L.P., is a venture capital limited partnership (VCLP), between the Fund and the Australian National University (ANU), established for the purposes of investing in the commercialisation of research and in early stage venture capital projects. P. Brown is a Director of ANU MTAA Super Venture Capital Pty Ltd (the 'General Partner' of the VCLP) and ANU Connect Ventures Pty Ltd (the "Investment Manager" for the VCLP). No director's fees are paid for the directorships.

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2017

17. Auditors' remuneration

	2017	2016
	\$'000	\$'000
Services provided by Fund Auditor		
Audit Services provided by Fund auditor		
Audit of financial statements and regulatory requirements of various entities within the Fund	340,790	320,485
Audit of various loan covenants within the Fund's subsidiaries	11,320	13,400
Other services provided by the Fund auditor		
Financial modelling services	0	3,473
Fraud control services	0	40,454
Asset consulting tender review	0	72,059
Reserving strategy and structure advice	28,035	0
Data integrity policy review	12,000	0
	<u>392,145</u>	<u>449,871</u>

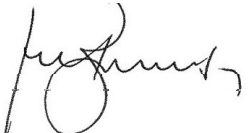
The auditor of MTAA Superannuation Fund and consolidated entities is Deloitte Touche Tohmatsu

MTAA SUPERANNUATION FUND
Trustee Declaration
For the year ended 30 June 2017

In the opinion of the Trustee:

- (i) The accompanying financial statements are drawn up so as to present fairly the financial position of the Fund as at 30 June 2017 and the results of its operations and cash flows for the year then ended; and
- (ii) The operation of the MTAA Superannuation 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, Regulations and the Guidelines issued by the Australian Prudential Regulation Authority on Risk Management Statements for Superannuation Entities Investing in Derivatives, and the Corporations Act 2001 and Regulations and Guidelines, during the year ended 30 June 2017; and
- (iii) The financial statements have been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements and the provisions of the Trust Deed, as amended.

Signed in accordance with a resolution of the directors of the Trustee company, Motor Trades Association of Australia Superannuation Fund Pty Limited (ABN 14 008 650 628).

Director: 
20 September 2017

Director: 

Independent Auditor's report approved form for a RSE which is a reporting entity (as defined in Australian Accounting Standard AASB 1056)

MTAA Superannuation Fund (ABN 74 559 365 913)

Report by the RSE Auditor to the trustee and members

Opinion

I have audited the financial statements of MTAA Superannuation Fund for the year ended 30 June 2017 as set out on pages 3 to 35.

In my opinion, the financial statements present fairly, in all material aspects, in accordance with Australian Accounting Standards the financial position of MTAA Superannuation Fund as at 30 June 2017 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2017.

Basis for opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibility* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (The code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Trustee's responsibility for the financial statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercised professional judgement and maintained professional scepticism throughout the audit. I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtained 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 RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Concluded on the appropriateness of the trustee's 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 RSE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.
- Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants
Canberra, 20 September 2017