

max Super Fund

ABN: 22 508 720 840

Financial Statements for the year ended
30 June 2018

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Statement of Financial Position

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Cash and cash equivalents	13	3,782	3,178
Investment revenue receivable	4	3,247	3,235
Other receivables	4	50	222
Financial assets	6	90,873	88,863
Income tax receivable		152	53
Total assets		98,104	95,551
Liabilities			
Payables	4	772	747
Deferred tax liabilities	11(v)	675	460
Total liabilities excluding member benefits		1,447	1,207
Net assets available for member benefits		96,657	94,344
Member benefits			
Allocated to members		95,238	92,862
Total member liabilities		95,238	92,862
Net assets		1,419	1,482
Equity			
Operational risk reserve	10(a)	381	352
Unallocated to members	10(b)	856	948
Administration reserve	10(b)	182	182
Total equity		1,419	1,482

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

Income Statement

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Superannuation activities			
Interest Revenue		38	41
Dividend Revenue		1	-
Distribution Revenue		4,905	5,058
Changes in assets measured at fair value	5	3,081	3,086
Other income		335	349
Total superannuation activities income		8,360	8,534
Investment expenses		(28)	(26)
Administration expenses		(377)	(421)
Operating expenses	12(a)	(1,093)	(1,034)
Total expenses		(1,498)	(1,481)
Results from superannuation activities before income tax expense		6,862	7,053
Income tax expense	11(iii)	(36)	(114)
Results from superannuation activities after income tax expense		6,826	6,939
Net benefits allocated to defined contribution members		(6,888)	(6,393)
Operating (loss)/result after income tax		(62)	546

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

Statement of Changes in Member Benefits

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Opening balance of member benefits		92,862	90,832
Contributions:			
Employer		6,264	6,637
Member		410	388
Transfer from other superannuation plans		1,148	793
Government co-contributions		88	115
Income tax on contributions	11(iv)	(940)	(1,014)
Net after tax contributions		6,970	6,919
Benefits to members/beneficiaries		(1,336)	(3,372)
Transfer to other superannuation plans		(8,885)	(8,185)
Death and disability benefits credited to members' accounts		216	1,172
Insurance premiums charges to members' accounts		(1,477)	(1,540)
Amounts allocated to (from) members from reserves		-	642
Benefits allocated to members accounts, comprising:			
Net investment income		8,310	7,780
Administration fees		(1,422)	(1,386)
Closing balance of member benefits		95,238	92,862

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

Statement of Changes in Reserves

For the year ended 30 June 2018

	Unallocated to members \$'000	Administration reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2017	948	182	352	1,482
Operating result	(91)	-	29	(62)
Movement in unallocated deposits	(1)	-	-	(1)
Closing balance as at 30 June 2018	856	182	381	1,419
Opening balance as at 1 July 2016	1,271	-	294	1,565
Net transfers to/from reserves	(182)	182	-	-
Net transfers (to)/from member benefits	(642)	-	-	(642)
Operating result	487	-	58	545
Movement in unallocated deposits	14	-	-	14
Closing balance as at 30 June 2017	948	182	352	1,482

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

Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Sales of financial instruments		11,123	12,982
Purchases of financial instruments		(5,036)	(7,045)
Interest income received		38	41
Dividend income received		1	-
Distribution income received		68	8
Other income received		306	271
General operating expenses paid		(1,484)	(1,608)
Investment expenses paid		(29)	(27)
Death and disability proceeds received from insurer		216	1,172
Insurance premiums paid		(1,474)	(1,551)
Income taxes paid		208	118
Net cash inflow from operating activities	14(a)	3,937	4,361
Cash flows from financing activities			
Employer contributions received		6,264	6,637
Member contributions received		410	388
Other contributions received		89	116
Transfers to other superannuation entities		(7,737)	(7,393)
Benefit payments to members or beneficiaries		(1,332)	(3,384)
Tax paid on contributions		(1,014)	(1,040)
Unallocated deposits		(13)	11
Net cash outflow from financing activities		(3,333)	(4,665)
Net increase (decrease) in cash and cash equivalents		604	(304)
Cash and cash equivalents at the beginning of the financial year		3,178	3,482
Cash and cash equivalents at the end of the financial year	13	3,782	3,178
Non-cash financing and investing activities	14(b)		

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

Notes to the Financial Statements

As at 30 June 2018

1. General information

max Super Fund (the 'Fund') was created by a Trust Deed dated 25 August 2005, as amended. The purpose of the Fund is to provide retirement benefits to its members. For the purposes of the financial statements the Fund is a for profit entity. The Fund consists of a defined contribution division.

The Fund is managed by Tidswell Financial Services Ltd (the 'Trustee') which is incorporated in Australia. The registered office of the Trustee is 50 Hindmarsh Square, Adelaide, SA 5000. Both the Trustee and the Fund are domiciled in Australia and registered with the Australian Prudential Regulation Authority (APRA).

The Fund administration is managed by DDH Graham Limited (the 'Administrator') which is incorporated in Australia. The registered office of the Administrator is Level 9, 324 Queen Street, Brisbane, QLD 4000.

Investments of the Fund are held by Sandhurst Trustees (Victoria) Limited as nominee for Tidswell Financial Services Ltd, as custodian of the Fund.

The Promoter of the Fund is Mammatus Pty Ltd.

These financial statements cover the Fund as an individual entity. The financial statements of the Fund were authorised for issue by the directors of the Trustee on 25 September 2018.

2. Statement of significant accounting policies

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

(a) Basis of preparation

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

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

(b) Financial instruments

(i) Classification

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

- 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 are investments in exchange traded debt and equity instruments, exchange traded derivative instruments, listed and unlisted trusts.

These investments are managed and their performance is evaluated on a fair value basis in accordance with the Fund's investment strategy.

(ii) Recognition/derecognition

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

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

(iii) Measurement

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

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

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

(c) Derivatives

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

(d) Cash and cash equivalents

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

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

(e) Revenue recognition

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

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

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

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

(f) Due from/to brokers

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

(g) Receivables

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

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

(h) Payables

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

(i) Benefits paid/ payable

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

(j) Contributions received and transfers from other funds

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

(k) Use of estimates

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

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

(l) Goods and Services Tax (GST)

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

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

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

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

(m) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The Trustee's assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

- AASB 9 'Financial Instruments' and the relevant amending standards (effective for annual reporting periods beginning on or after 1 January 2018)
AASB 9 addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. AASB 9 introduced revised rules around hedge accounting and impairment. The Trustee does not expect this to have a significant impact on the Fund's financial instruments as they are carried at fair value through profit and loss.

- AASB 15 'Revenue from Contracts with Customers' and the relevant amending standards (effective for annual reporting periods beginning on or after 1 January 2018)

This standard will replace AASB 118 which covers revenue arising from the sale of goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Trustee does not expect this standard to have a significant impact on Fund's accounting policies or the amounts recognised in the financial statements.

(n) Rounding of amounts

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

3. Financial risk management**(a) Financial risk management objectives**

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

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

(b) Market risk*(i) Price risk*

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

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

	Note	2018 \$'000	2017 \$'000
Equity Securities		441	-
Listed Unit Trusts		11,500	11,949
Unlisted Unit Trusts	7	78,932	76,914
Net exposure to price risk		90,873	88,863

(ii) Foreign exchange risk

The Fund operates internationally and has assets and liabilities denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value securities denominated in foreign currencies will fluctuate due to changes in exchange rates.

The table below summarises the Fund's financial assets and liabilities which are material and denominated in foreign currencies.

	2018 Euro A\$'000	2017 Euro A\$'000
Equity Securities	60	-
Listed Unit Trusts	11,500	11,949
Net exposure to foreign exchange risk	11,560	11,949

The Fund is also exposed to foreign exchange risk via the following other currencies; which represent less than 1% of the net assets of the fund: CHF, HKD, JPY, NOK, SEK, SGD, USD.

(iii) Cash flow and fair value interest rate risk

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

The table below summarises the Fund's direct exposure to interest rate risk.

	30 June 2018			
	Floating interest rate A\$'000	Fixed interest rate A\$'000	Non-interest bearing A\$'000	Total A\$'000
Financial assets				
Cash and cash equivalents	3,782	-	-	3,782
Investment income receivable and other receivables	-	-	3,297	3,297
Financial assets	-	-	90,873	90,873
Financial liabilities				
Financial liabilities	-	-	(772)	(772)
Net exposure to interest rate risk	3,782	-	93,398	97,180
	30 June 2017			
	Floating interest rate A\$'000	Fixed interest rate A\$'000	Non-interest bearing A\$'000	Total A\$'000
Financial assets				
Cash and cash equivalents	3,178	-	-	3,178
Investment income receivable and other receivables	-	-	3,457	3,457
Financial assets	-	-	88,863	88,863
Financial liabilities				
Financial liabilities	-	-	(747)	(747)
Net exposure to interest rate risk	3,178	-	91,573	94,751

(c) Summarised sensitivity analysis

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

	Price risk		Foreign exchange risk		Interest rate risk	
	-15%	+7.5%	-10%	+10%	-75 bps	+75 bps
30 June	MSCI Index	MSCI Index	EUR	EUR	\$'000	\$'000
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017	(11,586)	5,793	(983)	983	(24)	24
	(11,330)	5,665	(1,016)	1,016	(20)	20

(d) Credit risk

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

(i) Settlement of securities transaction

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

(ii) Cash and cash equivalents

The Fund's exposure to credit risk for cash and cash equivalents is considered low as all counterparties have a rating of AA- (as determined by Standard & Poor's).

(iii) Assets in custody

The clearing and depository for the Fund's security transactions are concentrated with one counterparty, namely Sandhurst Trustees (Victoria) Limited. Sandhurst Trustees (Victoria) Limited (via Bendigo and Adelaide Bank) had a credit rating of BBB+ at 30 June 2018.

(iv) Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

(e) Liquidity risk

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

The Fund is obligated to pay member benefits upon request. The Trustee's policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

(i) Maturities of financial liabilities

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

At 30 June 2018

	Less than 3 months to 1		1-5 years	5+ years	Total
	months	year			
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Other payables	772	-	-	-	772
Defined contribution member liabilities	95,238	-	-	-	95,238

At 30 June 2017

	Less than 3 months to 1		1-5 years	5+ years	Total
	months	year			
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Other payables	747	-	-	-	747
Defined contribution member liabilities	92,862	-	-	-	92,862

4. Fair value measurement

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

The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values fixed interest securities held by the Fund using broker quotes, units in unit trusts using the unit price provided by the underlying fund manager and OTC derivatives using valuation models.

Level 3: one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values units in unit trusts classified as level 3 using the unit price provided by the underlying fund manager. These unit trusts hold illiquid investments such as unlisted property and private equity.

Recognised fair value measurements

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

At 30 June 2018

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Investment income receivable and other receivables	3,297	-	-	3,297
Equity Securities	441	-	-	441
Listed Unit Trusts	11,500	-	-	11,500
Unlisted Unit Trusts	-	78,932	-	78,932
	<u>15,238</u>	<u>78,932</u>	<u>-</u>	<u>94,170</u>
Financial Liabilities				
Other payables	(772)	-	-	(772)
	<u>(772)</u>	<u>-</u>	<u>-</u>	<u>(772)</u>

At 30 June 2017

Financial Assets				
Investment income receivable and other receivables	3,457	-	-	3,457
Listed Unit Trusts	11,949	-	-	11,949
Unlisted Unit Trusts	-	76,804	110	76,914
	<u>15,406</u>	<u>76,804</u>	<u>110</u>	<u>92,320</u>
Financial Liabilities				
Other payables	(747)	-	-	(747)
	<u>(747)</u>	<u>-</u>	<u>-</u>	<u>(747)</u>

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period.

Movement in level 3 investments

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2018 \$'000	2017 \$'000
Opening balance at the beginning of the reporting period	110	-
Transfers into Level 3	-	110
Sales	(110)	-
Closing balance at the end of the reporting period	<u>-</u>	<u>110</u>

5. Net changes in fair value of financial instruments

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

	2018 \$'000	2017 \$'000
Designated at fair value through profit or loss		
Equity Securities	(3)	-
Listed Unit Trusts	1,129	1,294
Unlisted Unit Trusts	1,955	1,792
	<u>3,081</u>	<u>3,086</u>

6. Financial assets held at fair value through profit or loss

	2018 \$'000	2017 \$'000
Designated at fair value through profit or loss		
Equity Securities	441	-
Listed Unit Trusts	11,500	11,949
Unlisted Unit Trusts	78,932	76,914
Total financial assets held at fair value through profit or loss	<u>90,873</u>	<u>3,086</u>

Comprising:

Equity Securities		
Australian equity securities	191	-
International equity securities	249	-
	<u>441</u>	<u>-</u>
Listed Unit Trusts		
Units in International equity trusts	11,500	11,949
	<u>11,500</u>	<u>11,949</u>
Unlisted Unit Trusts		
Units in Australian cash funds	1,970	1,993
Units in Australian equity funds	41,028	40,464
Units in Australian fixed interest funds	15,204	15,838
Units in Australian property funds	6,776	5,742
Units in International equity funds	11,246	10,204
Units in International fixed interest funds	2,708	2,673
	<u>78,932</u>	<u>76,914</u>
Total financial assets held at fair value through profit or loss	<u>90,873</u>	<u>88,863</u>

7. Structured entities

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

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

The investee funds' objectives are to achieve medium to long term capital growth. The investee funds invest in a number of different financial instruments, including equities and debt instruments.

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

	Fair Value of Investment 2018 \$'000	Fair Value of Investment 2017 \$'000
Australian cash funds	1,970	1,993
Australian equity funds	41,028	40,464
Australian fixed interest funds	15,204	15,838
Australian property funds	6,776	5,742
International equity funds	11,246	10,204
International fixed interest funds	2,708	2,673
	<u>78,932</u>	<u>76,914</u>

The fair value of financial assets \$78,931,755 (2017: \$76,914,506) is included in financial assets in the statement of financial position.

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

During the year ended 30 June 2018, total gains realised on investments in investee funds were \$595,075 (total gains 2017: \$1,126,713).

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

8. Member liabilities

(a) Recognition and measurement of member liabilities

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

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

(b) Defined contribution member liabilities

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

As at 30 June 2018, the net assets attributable to defined contribution members have been substantially allocated. Unallocated amounts are shown in the statement of financial position as "Unallocated to members" within reserves.

9. Insurance arrangements

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

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

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

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

10. Reserves

(a) Operational risk financial reserve

	2018 \$'000	2017 \$'000
Defined contribution division	381	352
Reserve balance at the end of the reporting period	<u>381</u>	<u>352</u>

The Operational Risk Financial Requirement (ORFR) is met and maintained as a reserve to provide funding for incidents where material losses may arise from operational risks. The level of the reserve is determined by the Board based on an assessment of the risks faced by the Division. The Trustee has assessed an ORFR target amount of 0.30% of funds under management as appropriate for the Fund.

(b) Unallocated to members reserve and Administration reserve

These reserves are utilised by the Fund in regards to both unallocated contributions received by the Fund as well as any further income or tax credits arising from the completion of the tax position following the year end. This income will be allocated to members during the course of the following year.

11. Income tax

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

(i) Accounting policy

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

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

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

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

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

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

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

(iii) Income tax expense

	2018 \$'000	2017 \$'000
<i>Current tax</i>		
Current tax on profits for the year	(171)	(49)
Adjustments for current tax of prior periods	-	-
Anti Detriment tax	(8)	-
Total current tax expense	(179)	(49)
<i>Deferred income tax</i>		
Decrease in deferred tax assets	215	163
Income tax expense	36	114

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

	2018 \$'000	2017 \$'000
Operating result before income tax expense	6,862	7,053
Tax at the Australian rate of 15% (2017 – 15%)	1,029	1058
Increase/decrease in income tax expense due to:		
CGT Discount amount (realised and unrealised)	(149)	(150)
Non-deductible expenses	(29)	-
Other non-assessable income	(110)	(133)
Imputation credits	(475)	(428)
Tax benefit from insurance premiums	(222)	(233)
Anti-detriment payments	(8)	-
Income tax expense	36	114

In addition to the above \$ 939,611 (2017: \$1,013,783) is recognised in the statement of changes in member benefits relating to tax on contributions deducted from member accounts.

(v) *Deferred tax balances*

The balance comprises temporary differences attributable to:

	2018	2017
	\$'000	\$'000
<i>Deferred tax assets</i>		
Other assets	7	36
Total deferred tax assets	<u>7</u>	<u>36</u>
<i>Deferred tax liabilities</i>		
Financial assets measured at fair value through profit or loss	(682)	(496)
Total deferred tax liabilities	<u>(682)</u>	<u>(496)</u>
Net deferred tax asset/(liability)	<u>(675)</u>	<u>(460)</u>

The movements in temporary differences during the year are:

	Beginning of year	Recognised in income	End of year
	\$'000	\$'000	\$'000
At 30 June 2018			
<i>Deferred tax assets</i>			
Net change in other assets	36	(29)	7
Net deferred tax assets	<u>36</u>	<u>(29)</u>	<u>7</u>
<i>Deferred tax liabilities</i>			
Net change in fair value of financial instruments	(496)	(186)	(682)
Net deferred tax liabilities	<u>(496)</u>	<u>(186)</u>	<u>(682)</u>
At 30 June 2017			
<i>Deferred tax assets</i>			
Net change in other assets/liabilities	52	(16)	36
Net deferred tax assets	<u>52</u>	<u>(16)</u>	<u>36</u>
<i>Deferred tax liabilities</i>			
Net change in fair value of financial instruments	(349)	(147)	(496)
Net deferred tax liabilities	<u>(349)</u>	<u>(147)</u>	<u>(496)</u>

12. Other items

(a) **Other operating expenses**

		2018	2017
	Note	\$'000	\$'000
Trustee fees and reimbursements	18(a)	153	132
Audit fees	19	46	33
Other general operating expenses, including promoter fees		894	869
		<u>1,093</u>	<u>1,034</u>

(b) **Sponsorship and advertising**

The primary services of the promoter include sponsorship and marketing activities.

13. Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank	<u>3,782</u>	<u>3,178</u>
	<u>3,782</u>	<u>3,178</u>

14. Reconciliation of profit/(loss) after income tax to net cash

	2018	2017
	\$'000	\$'000
(a) Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities		
Operating result after tax	(62)	546
Adjustments for:		
Sales of financial assets	11,123	12,982
Purchases of financial assets	(5,036)	(7,045)
Trust distributions reinvested	(4,825)	(6,303)
Investment manager fee rebates reinvested	(84)	(89)
Death and disability proceeds received from insurer	216	1,172
Insurance premiums	(1,477)	(1,540)
Net changes in fair value of financial instruments	(3,081)	(3,086)
Net benefits allocated to defined contribution members	6,888	6,393
Change in operating assets and liabilities		
(Increase)/decrease in trust distributions receivable	(12)	1,293
(Increase)/decrease in receivables	24	(22)
(Increase)/decrease in income taxes receivable	(26)	(467)
Increase/(decrease) in deferred tax liability	215	163
Increase/(decrease) in payables	74	364
Net cash inflow (outflow) from operating activities	<u>3,937</u>	<u>4,361</u>

b) Non-cash financing and investing activities

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

15. Commitments

There are no commitments the Trustee is aware of as at 30 June 2018 and 30 June 2017.

16. Contingent liabilities and contingent assets

There are no outstanding contingent assets or liabilities as at 30 June 2018 and 30 June 2017.

17. Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

18. Related party transactions

(a) Trustee

The Trustee of max Super is Tidswell Financial Services Ltd, ABN 55 010 810 607, AFSL 237628, RSE L0000888.

Amounts paid to the trustee in form of fees and reimbursements are disclosed in note 12(a).

As at 30 June 2018, \$12,283 (30 June 2017: \$20,024) was payable to Tidswell Financial Services Ltd and is included other payables in the statement of financial position.

(b) Directors

Key management personnel includes persons who were directors of Tidswell Financial Services Ltd at any time during the financial year as follows:

Michael John Terlet AO	Non-Executive Director - Chairman	Appointed 19 April 1991
Ronald Peter Beard	Executive Director	Appointed 20 August 2012
Stephen John Heath	Non-Executive Director	Appointed 14 May 1999, resigned 29 September 2017
Jeffrey Keith Tidswell	Executive Director	Appointed 11 May 1988, resigned 29 September 2017
Christine Haido Liosis	Executive Director	Appointed 1 October 2016, resigned 29 September 2017
Michael Gerard O'Neill	Non-Executive Director	Appointed 1 October 2016, resigned 29 September 2017
Susan Zabłud	Non-Executive Director	Appointed 28 October 2016, resigned 20 March 2018
Fiona McNabb	Non-Executive Director	Appointed 29 September 2017
Tony O'Grady	Non-Executive Director	Appointed 29 September 2017, resigned 8 November 2017
Stephen Merlicek	Non-Executive Director	Appointed 29 September 2017, resigned 23 January 2018
Stephen Miller	Non-Executive Director	Appointed 29 September 2017
Andrew Peterson	Executive Director	Appointed 20 March 2018

None of the directors were members of the Fund.

(c) Other key management personnel

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

(d) Key management personnel compensation

There have been no transactions between the Trustee and the Fund other than the trustee fees disclosed in note 12(a). The directors of the Trustee do not receive remuneration directly from the Fund.

(e) Other entities with significant influence over the Fund

Promoter

The Promoter of the Fund is Mammatus Pty Ltd (ABN 74 101 393 435). Under the terms of the Trust Deed the Promoter is entitled to receive compensation for services provided to the Fund.

Remuneration of the Promoter

The Promoter earned remuneration of \$814,650 net of GST (2017: \$759,240) including total promoter fee payable of \$122,925 (2017: \$56,981) which is outstanding as at 30 June 2018 and is included other payables in the statement of financial position.

In respect of max Super, the promoter is entitled to receive a fee of 0.94% of fund net assets which is accrued daily. General administration expenses are paid from this 0.94% fee and physical payment may span over different financial years as expenses are incurred.

In respect of Goodsuper, the promoter is entitled to receive a fee of 1.90% of fund net assets which is accrued daily. General administration expenses are paid from this 1.90% fee and physical payment may span over different financial years as expenses are incurred.

Custodian

The Custodian of the Fund is Sandhurst Nominees (Victoria) Limited (ABN 33 092 352 442).

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

Remuneration of the Custodian

The Administrator earned remuneration of \$49,099 net of GST (2017: \$47,497) including total custodian fee payable of \$13,015 (2017: \$12,500) which is outstanding as at 30 June 2018 and is included in other payables in the statement of financial position.

Administrator

The Administrator of the Fund is DDH Graham Limited (ABN 28 010 639 219).

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

Remuneration of the Administrator

The Administrator earned remuneration of \$377,277 net of GST (2017: \$421,131) including total administration fee payable of \$31,035 (2017: \$34,623) which is outstanding as at 30 June 2018 and is included in other payables in the statement of financial position.

19. Remuneration of auditors

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

	2018	2017
	\$	\$
PricewaterhouseCoopers		
Audit and review of financial statements and regulatory audit services	45,628	30,011
Audit and review of the risk management framework	-	3,000
Total auditors' remuneration	45,628	33,011

Trustee's Declaration

In the opinion of the directors of the Trustee of max Super Fund:

- (a) the accompanying financial statements and notes set out on pages 3 to 19 are in accordance
 - (i) Australian Accounting Standards and other mandatory professional reporting requirements, and
 - (ii) present fairly the Fund's financial position as at 30 June 2018 and of its performance for the financial year ended on that date,

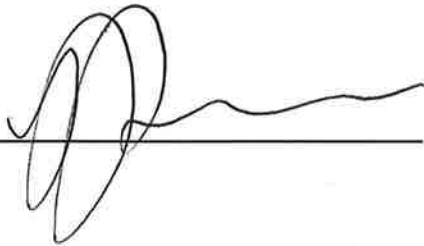
- (b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and its accompanying Regulations; the relevant requirements of the Corporations Act 2001 and Regulations; the requirements under section 13 of the Financial Sector (Collection of Data) Act 2001, during the year ended 30 June 2018, and

- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 25th day of September, 2018

Signed in accordance with a resolution of the directors of the trustee company, Tidswell Financial Services Ltd (ABN 55 010 810 607)

Director

A handwritten signature in black ink, consisting of several loops and a long horizontal tail, is written over a solid horizontal line.



Independent Auditor's report on financial statements

Independent Auditor's report approved form for an RSE which is a reporting entity

Report by the RSE Auditor¹ to the trustee of max Super (ABN: 22 508 720 840)

Opinion

I have audited the financial statements of max Super for the year ended 30 June 2018 comprising the Income Statement, Statement of Changes in Member Benefits, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of max Super as at 30 June 2018 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2018.

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 responsibilities* 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's 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 that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the trustee 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 Standards² 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 to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

¹ RSE Auditor as defined in Section 10 of the SIS Act.

² The Australian Accounting Standards issued by the Australian Accounting Standards Board.

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audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my auditor opinion. My auditor conclusions are based on the audit evidence obtained up to the date of my audit 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

David Coogan

David Coogan
Partner

Melbourne
25 September 2018