

Mason Stevens Super
ABN 34 422 545 198

Annual 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	12	13,214	-
Investments held at fair market value	4	80,431	-
Receivables			
Cash in transit		1,092	-
Interest receivable		12	-
Distributions and dividends receivable		1,608	-
GST receivable		33	-
Other receivables		19	-
Other assets			
Deferred tax assets	10	26	-
Total assets		96,435	-
Liabilities			
Accounts payable and accrued expenses		379	-
Current tax liabilities		160	-
Total liabilities excluding member benefits		539	-
Net assets available for member benefits		95,896	-
Defined contribution member liabilities		95,784	-
Total net assets		112	-
Equity			
Operational Risk Reserve	9	99	-
Expense reserve		13	-
Unallocated surplus		-	-
Total equity (deficit)		112	-

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			
Distribution income		1,537	-
Dividend income		352	-
Interest income		63	-
Net changes in fair value of investments	5	(301)	-
Other income		22	-
Total net income		1,673	-
Less expenses			
Investment expense		87	-
General administration expenses	11	279	-
Total expenses		366	-
Result from superannuation activities before income tax expense		1,307	-
Income tax (expense) / benefit	10	(68)	-
Result from superannuation activities after income tax expense		1,239	-
Net benefits allocated to defined contribution members		1,140	-
Operating result after income tax		99	-

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 (as at 1 July)		-	55
Contributions			
- Employer contributions		455	-
- Member contributions		1,819	-
- Government contributions		1	-
Transfers in from other superannuation funds		94,330	-
Income tax on contributions		(76)	-
Net after tax contributions		<u>96,529</u>	<u>55</u>
Benefits to members		(1,864)	(55)
Insurance premiums charged to member accounts		(7)	-
Reserves transferred to/(from) members			
- Other reserves		(13)	-
Net benefits allocated comprising:			
- Net investment income		1,580	-
- Administration expenses		(441)	-
Closing balance of member benefits (as at 30 June)	7	<u>95,784</u>	<u>-</u>

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

Statement of Changes in Equity
For the year ended 30 June 2018

	Expense Reserve \$'000	Operational Risk Reserve \$'000	Unallocated surplus (deficit) \$'000	Total Reserves/ Equity \$'000
Opening balance as at 1 July 2016	-	-	-	-
Operating result	-	-	-	-
Net transfers (to)/from member accounts	-	-	-	-
Closing balance as at 30 June 2017	-	-	-	-
Opening balance as at 1 July 2017	-	-	-	-
Operating result	-	99	-	99
Net transfers (to)/from member accounts	13	-	-	13
Closing balance as at 30 June 2018	13	99	-	112

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

Statement of Cash Flows
For the financial year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Distributions received		75	-
Dividends received		206	-
Interest received		51	-
Other income received		6	-
Administration expenses paid		(175)	-
Investment expenses paid		(66)	-
Insurance premiums paid		(7)	-
GST received		-	14
Income taxes paid		(4)	-
Net cash inflow from operating activities	13	86	14
Cash flows from investing activities			
Sale of financial instruments		14,071	-
Purchase of financial instruments		(95,678)	-
Net cash outflow from investing activities		(81,607)	-
Cash flows from financing activities			
Employer contributions received		455	-
Member contributions received		1,819	-
Government contributions received		1	-
Transfers from other superannuation entities		94,330	-
Transfers to successor fund		-	(69)
Benefit payments to members or beneficiaries		(1,864)	-
Tax paid on contributions		(7)	-
Net cash inflow / (outflow) from financing activities		94,734	(69)
Net increase (decrease) in cash and cash equivalents		13,213	(55)
Cash and cash equivalents at the beginning of the financial year		-	55
Effect of foreign currency exchange rate changes on cash and cash equivalents		1	-
Cash and cash equivalents at the end of the financial year	12	13,214	-

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

Notes to the financial statements

1. General Information

Mason Stevens Super (ABN 34 422 545 198) (the "Fund") is a retail superannuation fund domiciled in Australia. The Fund is primarily involved in providing retirement benefits to its members. The Fund was constituted by a Trust Deed dated 1 June 1988 as amended.

In accordance with amendments to the *Superannuation Industry (Supervision) Act 1993* the Fund is registered with the Australian Prudential Regulation Authority ("APRA") as a Registrable Superannuation Entity ("RSE") R1004168.

The Trustee of the Fund during the reporting period was Diversa Trustees Limited (ABN 49 006 421 638) (RSE No L0000635). The address of the Fund's registered office is Level 20, 357 Collins Street, Melbourne.

Both the Trustee and the Fund are domiciled in Australia and registered with the APRA.

Mason Stevens Super was re-opened to new members at the end of September 2017 following the approval of new service providers to the Fund.

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. The directors of the Trustee have the power to amend and re-issue these financial statements.

2. Summary 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 as at fair value through the income statement. They comprise:

- Financial instruments held for trading
Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification, however the Fund presently is not directly exposed to or involved in the use of derivative financial instruments. However, some of the underlying investments may utilise derivative financial instruments to hedge or partially hedge specific exposures. The fund does not enter into, hold or issue derivative financial instruments for trading purposes.
- 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, unlisted trusts and commercial paper.

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

(ii) Recognition/de-recognition

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 de-recognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership.

(iii) Measurement

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

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

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

(iv) Offsetting financial instruments

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

(c) 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.

(d) 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 the 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 and trust distribution income is recognised gross of withholding tax in the period in which the Fund's right to receive payment is established.

(e) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses arise from the settlement of such transactions and from the translations at year end exchange rates of monetary items denominated in foreign currencies.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at balance date. Translation differences on assets and liabilities carried at fair value are reported in the income statement on a net basis within net changes in fair value of financial instruments.

(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 30 days of being recorded as receivables.

(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 30 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) 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 directors' assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

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

AASB 9 addresses the classification, measurement, recognition and de-recognition of financial assets and financial liabilities. AASB9 introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

The 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.

The Fund intends to adopt AASB 9 from its commencement.

AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2018)

AASB 15 introduces changes on the recognition of revenue from customers. Given the nature of the Fund's revenue, primarily superannuation contributions, rollovers and investment income, the Trustee does not expect this to have a significant impact on the Fund's financial statements.

The Fund intends to adopt AASB 15 from its commencement.

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

The Fund has an investment governance framework ('IGF') established by the Trustee. The IGF sets out the Trustees policies and procedures for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

(a) Market risk

(i) Price risk

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

The Trustee mitigates price risk through diversification and a careful selection of securities. Compliance with the IGF and supporting investment guidelines are monitored by the Trustee on a regular basis.

At 30 June, the fair value of investments exposed to price risk were as follows:

	2018	2017
	\$'000	\$'000
Equity securities	16,022	-
Unlisted unit trusts	43,556	-
Exchange traded fund	20,495	-
Net exposure to price risk	80,073	-

(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 of securities denominated in foreign currencies will fluctuate due to changes in exchange rates.

The Fund's policy is not to hedge the direct foreign currency exposure on financial assets and liabilities.

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

	30 June 2018					30 June 2017				
	USD	GBP	EUR	CHF	SGD	USD	GBP	EUR	CHF	SGD
Cash and cash equivalents	166	18	-	-	-	-	-	-	-	-
Financial assets	14,445	835	46	9	5	-	-	-	-	-
Net exposure foreign exchange risk	14,611	853	46	9	5	-	-	-	-	-

(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 \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	13,214	-	-	13,214
Financial assets	296	62	-	358
Net exposure interest rate risk	13,510	62	-	13,572

	30 June 2017			
	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	-	-	-	-
Financial assets	-	-	-	-
Net exposure interest rate risk	-	-	-	-

(b) Summarised sensitivity analysis

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

	Price Risk		Interest rate risk	
	Impact on operating profit/Net assets attributable to unitholders			
	-15% MSCI Index	+7.5% MSCI Index	-75 bps	+75 bps
	\$'000	\$'000	\$'000	\$'000
30-Jun				
2018	(12,011)	6,005	(101)	101
2017	-	-	-	-

	Foreign exchange risk									
	Impact on operating profit/Net assets attributable to unitholders									
	-10% USD	+5% USD	-10% GBP	+5% GBP	-10% Euro	+5% Euro	-10% CHF	+5% CHF	-10% SGD	+5% SGD
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30-Jun										
2018	(1,461)	731	(85)	43	(5)	2	(1)	-	(1)	-
2017	-	-	-	-	-	-	-	-	-	-

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The main credit risks, to which the Fund is exposed, arises from the Fund's investment in cash and cash equivalents, interest bearing securities, units in unit trusts and other receivables. The Trustee monitors the Fund's credit risk exposure on a regular basis.

(i) Fixed interest securities

The Fund invests in fixed interest securities which are rated by Standard & Poor's. For unrated assets the Trustee assess credit risk using an approach similar to that used by rating agencies. An analysis of debt securities by rating is set out in the following table.

Rating	30 June 2018 \$'000	30 June 2017 \$'000
Australia		
BB+	139	-
BBB	62	-
BBB-	157	-
Total	358	-

(ii) Derivative financial instruments

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.

(iii) Settlement of securities transactions

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.

(iv) *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- or higher (as determined by the Standard and Poor's).

(v) *Assets in custody*

The clearing and depository for the Fund's security transactions are concentrated with one counterparty, namely National Australia Bank Limited. National Australia Bank Limited had a credit rating of AA- at 30 June 2018 (30 June 2017: Sandhurst Trustees short-term AA and long-term BBB+).

(vi) *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.

(d) Liquidity risk

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

The Fund is obligated to pay member benefits upon request. The Trustee's policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange or ordinarily redeemable within a short period of time. The Fund's overall liquidity risks are monitored by the Trustee at least annually.

(i) *Maturities of financial liabilities*

The tables below show 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.

	30 June 2018			
	Less than 1 month \$'000	1-3 moths \$'000	Greater than 3 months \$'000	Total \$'000
Non-derivatives				
Payables	379	-	-	379
Liability for accrued benefits	95,784	-	-	95,784

	30 June 2017			
	Less than 1 month \$'000	1-3 moths \$'000	Greater than 3 months \$'000	Total \$'000
Non-derivatives				
Other payables	-	-	-	-
Liability for accrued benefits	-	-	-	-

The liability for accrued benefits have been included in the less than one month column. This is the earliest date on which the Fund can be required to pay members' vested benefits, however the Trustee does not anticipate that members will call upon amounts vested to them during this time.

4. Fair value measurement

(a) Fair value hierarchy

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.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2018				
Financial assets				
Cash and cash equivalents	13,214	-	-	13,214
Cash in transit	1,092	-	-	1,092
Receivables	1,672	-	-	1,672
Equity securities				
- Australian	11,178	-	-	11,178
- International	4,844	-	-	4,844
Fixed interest securities				
- Australian	358	-	-	358
Units in unit trusts				
- Australian	9,999	43,556	-	53,555
- International	10,496	-	-	10,496
At 30 June 2018	52,853	43,556	-	96,409
Financial liabilities				
Payables	379	-	-	379
At 30 June 2018	52,474	43,556	-	96,030
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2017				
Financial assets				
Cash and cash equivalents	-	-	-	-
Receivables	-	-	-	-
At 30 June 2017	-	-	-	-
Financial liabilities				
Benefits payable	-	-	-	-
Payables	-	-	-	-
At 30 June 2017	-	-	-	-

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	549	-
Foreign currency	(74)	-
Fixed interest securities	(5)	-
Exchange traded funds	260	-
Unlisted unit trusts	(1,031)	-
Total	(301)	-

6. Structured entities

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

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

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

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

	Fair value of investment 2018 \$'000	Fair value of investment 2017 \$'000
Cash funds	2,360	-
Australian fixed interest funds	9,560	-
Australian property funds	119	-
Australian equity funds	18,686	-
International fixed interest funds	2,689	-
International property funds	2,275	-
International equity funds	20,167	-
International infrastructure funds	3,441	-
International commodities funds	1,007	-
Futures funds	3,747	-

The fair value of structured entities (\$64,051,000, 2017: \$0) is included in financial assets in the balance sheet.

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 losses incurred on investments in investee funds were \$771,000 (total gain 2017: \$0).

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

7. Member liabilities

(a) Recognition and measurement of member liabilities

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

(b) Defined contribution member liabilities

Defined contribution member account balances reflect the fair value of the investments held by the members.

The defined contribution members bear the investment risk relating to the underlying investment held. Investment 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 surplus (deficit)" within equity.

8. Insurance Arrangements

The Fund provides death and disability benefits to its members. The Trustee has retail policies in place with third party insurance companies to insure these death and disability benefits for the members of the Fund.

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

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

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

9. Reserves

(a) Operational risk financial reserve

The operational risk financial reserve (ORFR) may be used in certain circumstances to address operational risk events or claims against the Fund arising from operational risk. The ORFR is operated in accordance with the Operational Risk Financial Requirement Strategy. The Trustee has assessed an ORFR of 0.25% of funds under management as appropriate for the Fund. The Fund achieves its ORFR target amount via a combination of an operational risk reserve in the Fund and Trustee Capital. The Trustee Capital provided is not reported in these financial statements

(b) Expense reserve

The Expense reserve has been established for the purpose of meeting the Fund's operating costs.

10. Income Tax

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

(i) Accounting policy

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

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

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

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) Income tax expense

	2018 \$'000	2017 \$'000
<i>Current tax expense</i>		
Current tax on profits for the year	94	-
Adjustments for current tax of prior periods	-	-
Current tax expense	94	-
<i>Deferred tax expense</i>		
Movement in temporary differences	(26)	-
Income tax expense	68	-

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

	2018 \$'000	2017 \$'000
Operating result before income tax expense	1,307	-
Tax at the Australian rate of 15% (2017 – 15%)	196	-
Increase in tax expenses due to:		
Unrealised change in fair value	29	-
Realised change in fair value	16	-
Imputation and foreign tax credits	4	-
Non-deductible pension expenses	32	-
Decrease in tax expenses due to:		
Non-assessable pension income	(142)	-
Tax on unrealized losses	(37)	-
Tax on realised losses	(6)	-
Imputation and foreign tax credits	(24)	-
Income tax expense	<u>68</u>	<u>-</u>

In addition to the above \$76,000 (2017: \$000) is recognised in the statement of changes in member benefits relating to tax on contributions deducted from member accounts.

(iv) Deferred tax balances

The balance comprises temporary differences attributable to:

	2018 \$'000	2017 \$'000
Financial assets measured at fair value through profit or loss Australian rate of 15% (2017 – 15%)	37	-
Accrued (income)/expenses	(11)	-
Net deferred tax assets	<u>26</u>	<u>-</u>

The movements in temporary differences during the year are:

	Beginning of year \$'000	Recognised in income \$'000	End of year \$'000
At 30 June 2018			
<i>Deferred tax assets</i>			
Net changes in fair value of financial instruments	-	37	37
Changes in accrued (income)/expenses	-	(11)	(11)
At 30 June 2017			
<i>Deferred tax assets</i>			
Net changes in fair value of financial instruments	-	-	-
Changes in accrued (income)/expenses	-	-	-

11. General administration expenses

	2018	2017
	\$'000	\$'000
Administration fees	91	-
Adviser fees	188	-
	<u>279</u>	<u>-</u>

12. Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank	13,214	-
Total	<u>13,214</u>	<u>-</u>

13. Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

a) Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	2018	2017
	\$'000	\$'000
Operating result after tax	99	-
Adjustments for:		
Net benefits allocated to defined contribution members	1,140	-
Non-cash items	(4)	-
Net changes in financial instruments measured at fair value through the profit and loss	301	-
(Increase)/decrease in investment income receivable	(1,620)	-
(Increase)/decrease in deferred income tax assets	(26)	-
(Increase)/decrease in other receivable	(31)	14
Increase/(decrease) in payables	143	-
Increase/(decrease) in current tax liabilities	91	-
Insurance premiums	(7)	-
Net cash inflow from operating activities	<u>86</u>	<u>14</u>

b) Non-cash financing and investing activities

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

14. Commitments

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

15. Contingent liabilities and contingent assets

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

16. Events occurring after the reporting period

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

17. Related party transactions

(a) Trustee

The Trustee of Mason Stevens Super Fund is Diversa Trustees Limited. The compensation received by the Trustee from the Promoter in connection with the trusteeship of the Fund was \$66,000 (2017: \$0).

(b) Directors

Key management personnel includes persons who were directors of Diversa Trustees Limited at any time during the financial year as follows:

V. Plant (Chairperson), appointed 4 May 2017
R. FitzRoy, appointed 21 December 2017
M. Jones, appointed 1 September 2014
G. Wayling, appointed 4 May 2017

*V. Parrott, appointed 1 September 2014, resigned 13 June 2018
* K. Gibson, appointed 4 May 2017, resigned 20 December 2017

None of the directors nor the Trustee are or were unitholders of the Trust.

(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) Remuneration of directors of the Trustee

There have been no transactions between the Trustee and the Fund. The compensation received or due and receivable by the Trustee from the Fund in connection with the trusteeship of the Fund was \$0 (2017: \$0).

The directors of the Trustee do not receive remuneration directly from the Fund or the Promoter.

(e) Other related entities

Promoter, Sponsor, Custodian and Investment Manager

The Promoter, Sponsor and Custodian of the Fund is Mason Stevens Limited (ABN 91 141 447 217) (AFSL 351578).

The Investment Manager of the Fund is Mason Stevens Asset Management (ABN 92 141 447 654).

Under the terms of the Trust Deed the Promoter, Sponsor and Investment Manager are entitled to receive compensation for services provided to the Fund.

Remuneration of the Promoter, Sponsor, Custodian and Investment Manager

There have been no transactions between the Promoter, Sponsor, Custodian and Investment Manager and the Fund other than the fees disclosed as a part of general administration expenses in the Income Statement. The compensation received or due and receivable by the Promoter, Sponsor and Custodian from the Fund in connection with services provided to the Fund was \$91,000 (2017: \$0). The compensation received or due and receivable by the Investment Manager from the Fund in connection with services provided to the Fund was \$87,000 (2017: \$0).

In addition the Promoter is responsible for paying the costs associated with the running of the Fund, including trustee fees, audit fees and administration fees.

There were no other transactions between the Promoter, Sponsor, Custodian and Investment Manager and the Fund during the year.

Investments

The Fund held investments in the following scheme which is also managed by the investment manager. The investments are disclosed on the balance sheet.

Investment held

	Units held		Fair value of investments held	
	2018 Units	2017 Units	2018 \$'000	2017 \$'000
Mason Stevens Credit Fund	148,361	-	150	-
	148,361	-	150	-

18. Remuneration of auditors

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

Audit Services	2018 \$'000	2017 \$'000
Auditor of the Fund – Grant Thornton (2017: Pricewaterhouse Coopers*)		
Audit and review of financial statements and regulatory audit services	35	7
Other Audit Services – Grant Thornton		
Audit and review of the risk management framework	2	2
Total	37	9

Auditors' remuneration for 2017/18 is paid by the Promoter/Sponsor.

* PwC was appointed as auditor in the 2016-17FY. Audit fees for the 2017 financial year were paid by the Trustee on behalf of the Fund.

Trustees' declaration

In the opinion of the directors of the Trustee of Mason Stevens Super:

- (a) the accompanying financial statements and notes set out on pages 3 to 22 are in accordance with:
 - (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.

Signed on behalf of the Board of Directors of Diversa Trustees Limited as Trustee for Mason Stevens Super.



Director

Melbourne
25 September 2018

Independent auditor's report to the members of the Superannuation Fund

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

Mason Stevens Super ABN 34 422 545 198

Report by the RSE Auditor to the Trustee

Opinion

I have audited the financial statements of Mason Stevens Super Fund for the year ended 30 June 2018 comprising the Income Statement, Statement of Financial Position, Statement of Changes in Member Benefits, Statement of Changes in Equity, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes to the Financial Statements and the Trustee's Statement.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Mason Stevens Super Fund as at 30 June 2018 and the results of its operations, cash flows, and changes in member benefits and changes in equity 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.

Responsibilities 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 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 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 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 judgment 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Grant Layland
Director - Audit & Assurance

Sydney, 25 September 2018