



A.B.N 56 286 625 181

## **FINANCIAL STATEMENTS**

**For the year ended 30 June 2016**

## Statement of Financial Position

As at 30 June 2016

	Note	Jun-16 \$	Jun-15 \$
<b>ASSETS</b>			
Cash and Cash Equivalents		6,796,671	4,869,065
Investments	4	2,421,588,728	2,316,026,623
Plant and Equipment	5	46,691	59,666
Trade and Other receivables	6	654,501	757,737
Deferred tax asset	17b	575,104	418,244
<b>TOTAL ASSETS</b>		<b>2,429,661,695</b>	<b>2,322,131,335</b>
<b>LIABILITIES</b>			
Trade and other payables	7	(7,260,212)	(5,957,105)
Benefits payable		(1,561,805)	(776,540)
Current tax liabilities		(8,454,446)	2,218,108
Deferred tax liability	17c	(14,481,296)	(15,878,449)
<b>TOTAL LIABILITIES (excluding net assets available to pay benefits)</b>		<b>(31,757,759)</b>	<b>(20,393,986)</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>2,397,903,936</b>	<b>2,301,737,349</b>
Represented By:			
<b>LIABILITY FOR ACCRUED BENEFITS</b>			
<b>Members' funds balance</b>	8	2,375,498,411	2,284,778,178
<b>Reserves</b>			
Operational Financial Risk Reserve		6,572,185	6,276,559
Administration Reserve		11,713,491	10,372,113
Investment Reserve		3,869,849	60,499
Regulatory Reserve		250,000	250,000
Total Reserves	13	22,405,525	16,959,171
<b>Members Funds and Reserves</b>		<b>2,397,903,936</b>	<b>2,301,737,349</b>
<b>LIABILITY FOR ACCRUED BENEFITS</b>		<b>2,397,903,936</b>	<b>2,301,737,349</b>

The statement of financial position is to be read in conjunction with the notes to the financial statements

## Operating Statement

For the year ended 30 June 2016

	Note	Jun-16 \$	Jun-15 \$
<b>INVESTMENT INCOME</b>			
Interest income		7,591,272	9,586,488
Dividends and distributions		184,023,606	149,078,143
Other income		2,176,236	1,531,626
Movement in net market value of investments	15	(62,758,694)	38,712,515
Less: direct investment expenses		(3,093,215)	(2,603,257)
Interest Income - Bank		127,616	102,189
	14	<u>128,066,821</u>	<u>196,407,704</u>
<b>CONTRIBUTION REVENUE</b>			
Employer contributions		134,720,963	130,049,249
Member contributions		8,602,996	11,095,350
Transfers from other funds		29,963,860	27,299,618
Govt Co-contrs & LISC		2,173,792	2,241,817
		<u>175,461,611</u>	<u>170,686,034</u>
<b>OTHER REVENUE</b>			
Group life insurance proceeds		16,302,200	17,996,700
Sundry Income		-	159,984
		<u>16,302,200</u>	<u>18,156,684</u>
<b>TOTAL REVENUE</b>		<u>319,830,632</u>	<u>385,250,422</u>
<b>EXPENSES</b>			
Group life insurance premiums		(30,346,709)	(18,259,785)
Administration and investment expenses	16	(13,224,861)	(13,072,191)
<b>TOTAL EXPENSES</b>		<u>(43,571,570)</u>	<u>(31,331,976)</u>
<b>BENEFITS ACCRUED AS A RESULT OF OPERATIONS BEFORE INCOME TAX</b>		<u>276,259,062</u>	<u>353,918,446</u>
Income tax expense attributable to benefits accrued	17a	(19,067,488)	(25,305,842)
<b>BENEFITS ACCRUED AS A RESULT OF OPERATIONS</b>		<u>257,191,574</u>	<u>328,612,605</u>

The operating statement is to be read in conjunction with the notes to the financial statements

## Statement of Cash Flows

For the year ended 30 June 2016

	Note	Jun-16 \$	Jun-15 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Employer contributions received		134,720,963	130,049,249
Member contributions received		10,776,788	13,337,167
Transfers from other funds		29,963,860	27,299,618
Interest received		127,616	102,189
Admin Reserve amounts received		(22,838)	170,043
Proceeds from group life policies		16,302,200	17,996,700
Group life proceeds paid to members		(16,302,200)	(17,996,700)
Group life premiums paid		(30,346,709)	(18,259,785)
Administration expenses paid		(11,796,728)	(14,611,931)
Direct investment expenses paid		(3,093,215)	(2,603,257)
Benefits paid		(143,914,685)	(127,500,961)
Income tax paid		(9,948,947)	(23,646,052)
<b>Net cash from operating activities</b>	<b>18</b>	<b><u>(23,533,895)</u></b>	<b><u>(15,663,720)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Withdrawal of cash from investment activities		25,470,316	15,520,260
Payments for fixed assets and other items		(8,815)	(11,620)
<b>Net cash from investing activities</b>		<b><u>25,461,501</u></b>	<b><u>15,508,640</u></b>
<b>Net increase / (decrease) in cash and cash equivalents held</b>		<b>1,927,606</b>	<b>(155,080)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>4,869,065</b>	<b>5,024,145</b>
<b>Cash and cash equivalents at the end of the financial year</b>		<b><u>6,796,671</u></b>	<b><u>4,869,065</u></b>

The statement of cash flows is to be read in conjunction with the notes to the financial statements

## Notes to the Financial Statements

For the year ended 30 June 2016

### 1 REPORTING ENTITY

First Super Superannuation Fund (the "Fund") is a superannuation fund domiciled in Australia. The address of the Fund's registered office is Level 3, 200 Arden Street, North Melbourne VIC 3051. The Fund was established by a Trust Deed dated 25 March 1985, as amended.

For the purposes of the Superannuation Industry (Supervision) Act 1993 and its Regulations, the Fund is a defined contribution and pension fund.

The Fund provides retirement benefits for its members which are in the forest and wood products industry.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993, the Fund was registered with the Australian Prudential Regulation Authority on the 9th June 2006 (registration no. R106735).

The trustee of the Fund is First Super Pty Ltd (RSE No L0003049).

### 2 BASIS OF PREPARATION

#### (a) Statement of compliance

The financial statement is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AAS 25, other applicable Accounting Standards, and the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

International Financial Reporting Standard ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB. Certain requirements of AAS 25 however differ from the equivalent requirements that would be applied under IFRS.

The financial statements were authorised for issue by the Board of Directors of the Trustee, First Super Pty Ltd on xx of September 2016. The accounting policies adopted are consistent with those of the prior year unless otherwise stated.

#### (b) Basis of measurement

The financial statements have been prepared in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

Assets of the plan are recorded at net market value as at the reporting date and changes in the net market value of assets are recognised in the Operating Statement in the periods in which they occur. Net market values have been determined as follows: in the case of shares in listed companies and government and other fixed interest securities, by reference to relevant middle market quotations. In the case of other assets on the basis of Trustees' assessments in accordance with its policies.

#### (c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Fund.

#### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Valuation of Investments and Derivatives - Note 4

## Notes to the Financial Statements

For the year ended 30 June 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Plant and equipment

##### (i). Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

##### (ii). Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii). Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in statement of comprehensive income on a mainly diminishing value over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

	2016	2015
Plant and Equipment	8 years	8 years
Motor vehicles	5 - 8 years	5 - 8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### (b) Investments and Derivatives

Investments and derivatives of the Fund are recorded at net market value as at the reporting date. Net market values have been determined as follows:

##### (i). Fixed Interest Securities / Listed Shares - Australian and International

The value of these investments has been determined using the last sale price quoted at balance date. All such investments are net of any realisation costs (i.e. brokerage and stamp duty) which may apply in the event of disposal.

##### (ii). Pooled Superannuation Trusts / Unit Trusts / Property Trusts

These investments are valued at the redemption price at balance date as advised by the respective investment manager and reflects the Fund's interest in the underlying value of the assets.

##### (iii). Life Policies

These investments are included at their surrender value at balance date, as advised by the insurer. Where material, estimated costs of realisation have been deducted in determining net market value. The net fair value of financial assets are considered to be equal to the net market value.

Investments are maintained for the long-term purpose of providing benefits to members on their retirement, reaching a specified age, death or termination of employment. Due to the long-term objective, the amount recoverable through sale within twelve months cannot be determined.

## Notes to the Financial Statements

For the year ended 30 June 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

#### (c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Movement in net market values of Investments*

Changes in the net market value of investments (including investment property) are recognised as income and determined as the difference between the net market value at year end of consideration received (if sold during the year) and the net market value as the prior year end or cost (if the investment was acquired during the period).

##### *Contributions revenue and transfers*

Contributions revenue and transfers in are recognised when control and the benefit from the revenue have transferred to the Fund and is recognised gross of any taxes.

##### *Interest revenue*

Interest income is recognised in the operating statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

##### *Dividend revenue*

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

##### *Distributions*

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

##### *Group life insurance proceeds*

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

#### (d) Income tax

The Fund is a complying superannuation Fund within the provisions of the Income Tax Assessment Act. Accordingly, the tax rate of 15% applies.

Income tax on the Operating Statement for the year comprises current and deferred tax. Income tax is reflected in the Operating Statement. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

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

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

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

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

## Notes to the Financial Statements

For the year ended 30 June 2016

### 3 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

**(e) Foreign Currency**

Both the functional and presentation currency of the Fund is Australian dollars (\$).

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the rate of exchange ruling at that date.

Foreign exchange differences arising on the translation are recognised in the operating statement in the period in which they arise.

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

**(f) Benefits payable**

Benefits payable which comprises the entitlements of members who ceased employment prior to the year end but had not been paid at that time. Benefits payable are normally settled within 30 days.

**(g) Receivables and Other Payables**

Receivables are carried at nominal amounts due, which approximate net fair value.

Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is objective evidence that the debt will not be collected.

Other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity. Payables are normally settled on 30 day terms.

**(h) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**(i) Accrued Benefits**

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries arising from membership of the Fund up to reporting date.

This has been calculated as the difference between the carrying amount of the assets and the carrying amounts of the sundry liabilities and income tax liabilities as at reporting date.

**(j) Employee Benefits**

**(i). Long-term service benefits**

The funds net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Corporate bonds at the balance sheet date which have maturity dates approximating to the terms of the Company's obligations.

**(ii). Short-term benefits**

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

**(k) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

**(l) Superannuation Contribution Surcharge**

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



## Notes to the Financial Statements

### For the year ended 30 June 2016

#### 3 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

##### (m) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (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 are stated with the amount of GST included. 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 components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

##### (n) Derecognition of Financial Assets and Financial Liabilities

A financial asset is derecognised when:

- \* the rights to receive cash flows from the asset have expired; or
- \* the Fund transfers substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

##### (o) Excess Contributions Tax

The Australian Taxation Office may issue release authorities to members of the Fund relating to the relevant member's excess contributions tax that is payable in respect of the member's concessional and/or non-concessional contributions for a particular year. Where a member receives an excess contributions tax release authority, the member:

- \* may give the release authority relating to the member's concessional contributions to a fund for payment; and
- \* must give the release authority relating to the member's non-concessional contributions to a fund for payment.

Release authorities may be issued by the Australian Taxation Office from 1 July 2007 in relation to transitional non-concessional contributions received by the Fund between 9 May 2006 and 30 June 2007. Release authorities in relation to concessional and/or non-concessional contributions received from 1 July 2007 may be issued from the Australian Tax Office from 1 July 2008. The liability for the excess contributions tax will be recognised when the relevant release authorities are received from the members, as the Trustee considers this is when it can be reliably measured. The excess contributions tax liability recognised by the Fund will be charged to the relevant member's accounts.

##### (p) Comparatives Figure

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

##### (q) New standards and Interpretations not yet adopted

AASB1056 Superannuation Entities (effective 30 June 2017)

Issued in June 2014, AASB1056 replaces AAS25 Financial Reporting by Superannuation Plans and is first applicable to the Fund for the year ended 30 June 2017. AASB1056 will have a number of impacts on the financial statements of the fund, including:

- The requirement to prepare five statements as follows:
  - Statement of Financial Position;
  - Income Statement;
  - Statement of Changes in Equity/Reserves;
  - Statement of Cashflows; and
  - Statement of Changes in Member Benefits.
- Recognise member benefits as a liability on the face of the Statement of Financial Position
- The Statement of Financial Position will need to disclose the surplus or deficit of funds
- Net assets will reflect the funds reserves, including the Operational Risk Financial Requirement Reserve
- Increased disclosure in relation to insurance arrangements

## Notes to the Financial Statements

For the year ended 30 June 2016

### OPERATIONS OF THE FUND

Trustee:	First Super Pty Ltd.
Basis of employer contributions:	At rates provided under the Trust Deed
Basis of member contributions:	Subject to a limit set by the Deed and legislation
Insurance coverage:	Provided for members - Met Life
Administrator:	Super Benefits Administration Pty Ltd

On the 30th June 2008, Pulp and Paper Workers Superannuation fund ("PPW") and Furniture Industry Retirement Superannuation Trust ("FIRST") merged with Timber Industry Superannuation Scheme ("TISS") via successor fund agreement. TISS changed its name to FIRST Super on the 1st July 2008.

### Interest Allocation to Members:

Interest is allocated to Members at rates declared by the Trustee.

At 30 June 2016, allocated members funds include contributions and adjustments for tax and fees. Investment earnings are included in total members funds.

## 4 INVESTMENTS

The investments and derivatives of the Fund (other than short term deposits) are managed on behalf of the Trustee by selected investment managers. The custodian holding the shares and fixed interest securities is BNP Paribas Nominees Limited. The Fund is invested in the following funds, managed investment schemes and trusts:

	Jun-16 \$	Jun-15 \$
<b>Australian Listed Equities</b>		
Australian Listed Equities	138,894,429	-
Eley Griffiths Small Co Mandate	57,267,347	37,586,204
IFM Enhanced Index Fund	193,267,718	161,700,301
Invesco Small Caps Aust Equity Fund	-	31,796,212
Alan Gray Australian Opportunity Fund	-	102,783,744
Perpetual Australian Equity Mandate	160,755,424	162,975,011
<b>Australian Listed Equities</b>	<b>550,184,918</b>	<b>496,841,472</b>
<b>Australian Private Equities</b>		
Australian Private Equity	183,878,975	-
Frontier Pty Ltd	-	330,000
M.E Bank Limited	-	29,924,387
Industry Super Holdings	-	12,743,522
Super Benefits Administration Pty Ltd	-	1,280,959
The New Daily Pty Ltd	-	2,000,000
ROC Partners Trust III	-	9,384,196
ROC Partners Trust III	-	17,025,049
Quay Australian 3 Fund	-	3,656,936
Quay Australian 4 Fund	-	1,978,664
Quay Partners First Trust	-	91,687,550
<b>Total Unlisted Equities</b>	<b>183,878,975</b>	<b>170,011,263</b>
<b>Australian Infrastructure</b>		
Australian Infrastructure	149,492,854	-
Hastings UTA	-	14,549,608
IFM Australian Infrastructure Fund	-	83,922,911
<b>Total Australian Infrastructure</b>	<b>149,492,854</b>	<b>98,472,519</b>
<b>International Equities</b>		
International Equities	464,097,544	-
BlackRock Unhedged World Equity Fund	-	39,619,290
BlackRock Hedged World ex-Australia Equity Index Fund	-	117,388,907
Capital International Global Equity Fund (Unhedged)	-	130,220,877
Deutsche Global Thematic Fund	-	88,701,940
Orbis Global Equity Fund	-	125,864,919
<b>Total International Share fund</b>	<b>464,097,544</b>	<b>501,795,933</b>
<b>International Private Equity</b>		
International Private Equity	10,849,577	-
IFM Global Equities Trust	-	2,101,471
Wilshire Pooled Superannuation Trust	-	11,302,012
<b>Total International Private Equity</b>	<b>10,849,577</b>	<b>13,403,483</b>
<b>Property</b>		
Property	252,572,311	-
AMP Property Income Fund	-	133,577
Fortius Opportunistic Property Fund I	-	7,795,089
Franklin International Real Estate Fund 2	-	3,435,486
ISPT Core Fund	-	123,198,947
QIC Property Fund	-	73,770,877
<b>Total Property</b>	<b>252,572,311</b>	<b>208,333,976</b>
<b>International Infrastructure</b>		
International Infrastructure	104,713,391	-
IFM International Infrastructure Fund	-	91,939,692
<b>Total International Infrastructure</b>	<b>104,713,391</b>	<b>91,939,692</b>

## Notes to the Financial Statements

For the year ended 30 June 2016

### 4 INVESTMENTS (Cont.)

#### Fixed Interest

Fixed Interest	493,452,593	-
IFM Alternative Fixed Income Fund	-	64,480,618
BlackRock Indexed Australian Bond Fund	-	112,375,350
BlackRock Overseas Bond Index Fund	-	48,605,800
IFM Australian Credit Opportunities Mandate	21,740,457	33,602,276
PIMCO Global Fund	-	86,194,188
PIMCO Fixed Interest Fund	-	119,426,055
Super Loans Trust (Members Equity)	-	7,000,056
Westbourne Infra Debt	-	36,227,432
<b>Total Fixed Interest</b>	<b>515,193,050</b>	<b>507,911,775</b>

#### Cash & Capital Guaranteed

Cash	190,606,108	-
IFM Cash Fund	-	10,774,991
Term Deposits	-	216,541,519
<b>Total Cash &amp; Capital Guaranteed</b>	<b>190,606,108</b>	<b>227,316,510</b>

#### Total Investments

<b>2,421,588,728</b>	<b>2,316,026,623</b>
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Refer to Note 3b for the methods and assumptions adopted in determining the fair values of investments.

### 5 PLANT AND EQUIPMENT

	Jun-16	Jun-15
	\$	\$
Vehicles - cost	47,624	47,624
Vehicles - accumulated depreciation	(20,234)	(11,103)
Office Equipment - cost	38,854	30,040
Office Equipment - accumulated depreciation	(19,553)	(6,895)
<b>Total plant and equipment</b>	<b>46,691</b>	<b>59,666</b>

### 6 TRADE AND OTHER RECEIVABLES

	Jun-16	Jun-15
	\$	\$
Recoverable within 12 months		
Sundry Debtor	-	8,491
Prepayments	411,481	517,206
GST Receivable	243,020	232,040
<b>Total other receivables</b>	<b>654,501</b>	<b>757,737</b>

### 7 TRADE AND OTHER PAYABLES

#### (a) General

	Jun-16	Jun-15
	\$	\$
Accounts payable	(3,240,671)	(483,262)
Accrued expenses	(50,489)	-
Audit/tax/legal services	(174,521)	(55,001)
Custodian fees	-	(172,810)
Insurance Proceeds Payable	(2,238,400)	(4,016,924)
Investment Consulting	-	(39,520)
Investment Management	(1,098,541)	(785,423)
PAYG Withholding	(23,838)	(11,968)
APRA Lodgement Fees	-	(36,485)
<b>(6,826,460)</b>	<b>(5,601,393)</b>	

#### (b) Provisions

Provision for annual leave	(128,626)	(92,869)
Provision for long service leave	(99,632)	(57,349)
Provision for redundancy	(205,494)	(205,494)
<b>(433,752)</b>	<b>(355,712)</b>	

#### Total accounts payable

<b>(7,260,212)</b>	<b>(5,957,105)</b>
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## Notes to the Financial Statements

For the year ended 30 June 2016

### 8 LIABILITY FOR ACCRUED BENEFITS AND FUNDING ARRANGEMENT - MEMBERS' BALANCE

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries arising from membership of the Fund up to reporting date. It is measured as the difference between the carrying amount of the assets and the sum of the sundry liabilities and income tax liabilities as at reporting date.

(a) Changes in liability for accrued benefits	Jun-16	Jun-15
	\$	\$
Opening balance for accrued benefits - total members' funds	2,284,778,178	2,090,414,734
<b>Revenue</b>		
Contributions and member transfers	175,461,611	170,686,034
Earnings allocated to members	116,619,905	195,182,979
Proceeds on insurance	16,302,200	17,996,700
<b>Expenditure</b>		
Insurance	(30,209,169)	(18,203,853)
Administration levies deducted from members' accounts	(6,523,197)	(6,636,495)
Anti-detriment benefits	436,916	492,010
Tax expense	(20,365,883)	(19,565,444)
Benefits paid/payable	(161,002,150)	(145,588,487)
<b>Closing balance for accrued benefits - members' funds</b>	<b>2,375,498,411</b>	<b>2,284,778,178</b>

### (b) Funding arrangements

Members' contributions were made in accordance with the requirements of the Trust Deed pursuant to applications contained in the Product Disclosure Statement, supplements and Key Features Statements on issue by the Trustee during the year.

### 9 VESTED BENEFITS

	Jun-16	Jun-15
Vested benefits as at the end of the period	2,375,498,411	2,284,778,178

Vested benefits represents the members' right to which, under the terms of a superannuation plan, are not conditional upon continued plan membership or any factor other than resignation from the plan.

### 10 GUARANTEED BENEFITS

No guarantees have been made in respect to any part of the liability for accrued benefits.

### 11 BENEFITS PAID/PAYABLE

	Jun-16	Jun-15
	\$	\$
Death	(6,504,039)	(6,583,394)
Disability	(2,171,817)	(1,266,981)
Hardship	(2,170,288)	(2,380,212)
Retirement	(35,251,489)	(32,106,350)
Pension	(10,954,910)	(9,210,024)
Rollovers to another Fund / Partial Withdrawal/Leaving Industry	(87,647,407)	(76,044,826)
Group Life Benefits	(16,302,200)	(17,996,700)
<b>Total benefits paid/payable</b>	<b>(161,002,150)</b>	<b>(145,588,487)</b>

## Notes to the Financial Statements

For the year ended 30 June 2016

	Jun-16 \$	Jun-15 \$
<b>12 ALLOCATED PENSION FUND</b>		
Members' Funds Opening Balance	102,051,006	75,584,941
<b>Revenue</b>		
Transfers	40,873,235	49,236,993
Interest	5,587,532	7,770,135
<b>Total Revenue</b>	<u>46,460,767</u>	<u>57,007,128</u>
<b>Expenditure</b>		
Pensions	(11,206,726)	(9,143,829)
Partial Withdrawal	(4,046,698)	(3,427,054)
Roll out	(15,812,079)	(17,614,109)
Foregone Benefit and other	41	(7,447)
Administration fees	(389,434)	(348,624)
<b>Total Expenditure</b>	<u>(31,454,895)</u>	<u>(30,541,063)</u>
<b>Net Movement</b>	<b>15,005,872</b>	<b>26,466,065</b>
<b>Members Funds Closing Balance</b>	<u><b>117,056,878</b></u>	<u><b>102,051,006</b></u>
<b>Allocation by Investment Choice</b>		
Balanced	66,031,803	58,247,581
Cash	13,563,839	11,708,829
Shares Plus	4,218,184	3,833,817
Conservative Balanced	29,964,700	25,231,352
Growth	3,278,352	3,029,427
<b>Total Allocation Closing balance</b>	<u><b>117,056,878</b></u>	<u><b>102,051,006</b></u>
<b>13 LIABILITY FOR ACCRUED BENEFITS - RESERVES</b>		
Opening balance for accrued benefits - reserves	<b>16,959,171</b>	<b>28,128,449</b>
<b>Regulatory Reserve</b>	<u><b>250,000</b></u>	<u><b>250,000</b></u>
<b>Operational Risk Reserve</b>	<u><b>6,276,559</b></u>	<u><b>6,120,736</b></u>
Earnings on reserve	295,626	155,823
<b>Operational Risk Reserve</b>	<u><b>6,572,185</b></u>	<u><b>6,276,559</b></u>
<b>Administration Reserve</b>		
Opening Balance	10,372,113	10,092,202
Group life insurance deducted from members accounts	30,209,171	18,203,857
Administration levies deducted from members accounts	6,523,197	6,636,495
Administration	(13,224,861)	(13,072,191)
Other sundry income	-	186,206
Income Tax benefit	6,535,736	4,699,796
The New Daily Ltd drawdown	-	(1,000,000)
Investment expenses allocated to investment reserve	1,561,100	1,427,867
Other items	(22,839)	1,000,000
Group Life Insurance premiums paid	(30,346,709)	(18,259,785)
Foregone Benefits	(436,916)	(492,010)
Earnings on reserve	543,499	949,676
<b>Administration Reserve</b>	<u><b>11,713,491</b></u>	<u><b>10,372,113</b></u>
<b>Investment Reserve</b>		
Opening Balance	60,499	11,665,511
Investment Income	127,939,205	196,305,515
Interest on cash at bank	127,616	102,189
Sundry income	-	159,987
The New Daily Ltd drawdown	-	1,000,000
Investment expenses allocated from administration reserve	(1,561,100)	(1,427,867)
Other items	-	(1,016,163)
Income Tax expense	(5,237,341)	(10,440,195)
Earnings allocated to Administration Reserve	(543,499)	(949,676)
Earnings allocated to Operational Risk Reserve	(295,626)	(155,823)
Earnings allocated to members	(116,619,905)	(195,182,979)
<b>Investment Reserve</b>	<u><b>3,869,849</b></u>	<u><b>60,499</b></u>
<b>Closing balance of accrued benefits - Reserves</b>	<u><u><b>22,405,525</b></u></u>	<u><u><b>16,959,171</b></u></u>

## Notes to the Financial Statements

For the year ended 30 June 2016

### 13 LIABILITY FOR ACCRUED BENEFITS - RESERVES (CONT.)

	2016	2015
Operational Risk Financial Requirement reserve	6,572,185	6,276,559

Under APRA Prudential Standards SPS 114; Operational Risk Financial Requirements (ORFR), the Fund is required to maintain an ORFR reserve of at least 0.25% of the Funds assets. The ORFR reserve is part of the financial management of the Fund and is operated in accordance with Operational Risk Reserve Policy which is reviewed annually. The ORFR may be used in certain circumstances to address operational risk events or claims against the fund arising from operational risk.

### 14 REVENUE - INVESTMENTS

	Jun-16	Jun-15
	\$	\$
Australian Private Equity	40,910,185	-
Australian Listed Equity	13,335,816	-
Australian Infrastructure	21,555,366	-
International Listed Equity	(3,140,266)	-
International Infrastructure	(9,432,520)	-
International Private Equity	1,165,645	-
Fixed interest Portfolio	26,294,323	-
Property Portfolio	24,506,893	-
Cash Portfolio	7,458,879	-
Allan Gray Australian Equity Fund	-	(376,221)
AMP Capital Investors	-	116
AMP Core Property Fund	-	23,774
Blackrock Unhedged World Equity Fund	-	8,538,151
BlackRock Hedged World ex-Australia Equity Index Fund	-	12,077,294
BlackRock Indexed Australian Bond Fund	-	5,989,338
BlackRock Overseas Bond Index Fund	-	2,140,569
Capital International Equity Fund (Unhedged)	-	26,316,638
Deutsche International Equities	-	16,840,428
Domestic Equity Transition	-	(27,703)
Eley Griffiths AE Mandate	9,147,024	2,490,382
Fortius Opportunistic Property Fund I	-	1,811,005
Franklin International Real Estate Fund 2	-	685,911
Hastings UTA	-	2,145,642
Industry Super Holdings	-	3,744,515
IFM Alternative Fixed Income Fund	-	2,267,015
IFM Trans CF Realised	-	6,007,298
IFM Australian Credit Opportunities Mandate	(3,791,387)	1,822,955
IFM AE Enhanced Index Fund	1,995,655	(2,087,187)
IFM Global Equities Trust	-	531,058
IFM International Infrastructure Fund	-	6,989,375
IFM Trans CF	-	6,230,506
IFM Australian Infrastructure Fund	-	1,222,197
ISPT Core Fund	-	11,708,662
Invesco Small Caps Australian Equity Fund	-	(3,383,438)
ISPT	-	75,875
ROC Partners Trust III	-	487,053
ROC Partners Trust IV	-	1,923,871
Orbis Global Equity Fund	-	19,735,456
PIMCO Global	-	2,017,524
PIMCO Fixed Interest Fund	-	9,608,753
Perpetual AE Mandate	(2,179,031)	8,316,825
QIC Property Fund	-	6,487,421
Quay Australian 3 Fund	-	320,858
Quay Australian 4 Fund	-	307,721
Quay Partners First Trust	-	22,679,458
Short term Cash	-	6,689,882
Super Benefits Administration Pty Ltd	-	(284,278)
Super Loans Trust (Members Equity)	-	557,534
Wilshire Pooled Superannuation Trust	-	2,756,126
Westbourne YF 1	-	2,694,108
Investment Manager Fees	250,036	(1,582,233)
International Foreign Exchange	(9,797)	(92,530)
<b>REVENUE - INVESTMENTS</b>	<b>128,066,821</b>	<b>196,407,704</b>

## Notes to the Financial Statements

For the year ended 30 June 2016

### 15 CHANGES IN NET MARKET VALUES OF INVESTMENT ASSETS

#### (a) INVESTMENTS REALISED DURING THE YEAR

	Jun-16 \$	Jun-15 \$
<b>Property</b>		
Property	447,446	-
Fortius	-	348,517
Franklin International Real Estate Fund 2	-	7,705
<b>Total - property</b>	<u>447,446</u>	<u>356,222</u>
<b>Australian Listed Equity</b>		
Australian Listed Equity	(1,385,516)	-
Eley Griffiths Mandate	402,147	(505,118)
IFM Trans CF Realised	-	(54,574)
IFM AE Enhanced Index Fund	(785,270)	(696,196)
Perpetual Australia Equities Mandate	232,354	4,736,284
<b>Total - Australian Listed Equity</b>	<u>(1,536,285)</u>	<u>3,480,396</u>
<b>Fixed Interest Securities</b>		
Fixed Interest Securities		
IFM Australian Credit Opportunities Mandate	(127,816)	-
IFM Alternative Fixed Income Fund	-	(369,595)
Blackrock Index bond	-	231
Superannuation Business Loans	-	(41,089)
<b>Total - Fixed Interest Securities</b>	<u>(127,816)</u>	<u>(410,453)</u>
<b>International Equity</b>		
International Equity	(19,737,716)	-
BlackRock Unhedged World Equity Fund	-	2,201
IFM Global Equities Trust	-	56,423
<b>Total - International Equity</b>	<u>(19,737,716)</u>	<u>58,624</u>
<b>International Infrastructure</b>		
International Infrastructure	378,192	-
<b>Total - International Infrastructure</b>	<u>378,192</u>	<u>-</u>
<b>Cash and Capital Guaranteed</b>		
Cash	(27,831)	-
<b>Total - Cash and Capital Guaranteed</b>	<u>(27,831)</u>	<u>-</u>
<b>TOTAL CHANGE IN NET MARKET VALUE - INVESTMENTS REALISED</b>	<u>(20,604,010)</u>	<u>3,484,789</u>

## Notes to the Financial Statements

For the year ended 30 June 2016

### 15 CHANGES IN NET MARKET VALUES OF INVESTMENT ASSETS (cont.)

(b) INVESTMENTS HELD AT BALANCE DATE	Jun-16 \$	Jun-15 \$
<b>Cash</b>		
Cash	1,097,001	-
IFM Trans Fund	-	4,056,883
Cash 11am	-	-
<b>Total - cash</b>	<u>1,097,001</u>	<u>4,056,883</u>
<b>Australian Private Equity</b>		
Australian Private Equity	16,724,865	-
ROC Partners Trust III (prev Macquarie Alternative Trust III)	-	1,307,859
ROC Partners Trust IV (prev Macquarie Alternative Trust IV)	-	(2,994,305)
Frontier	-	(7,000)
Quay Australian Fund	-	(1,186,295)
Quay Partners First Trust	-	7,407,454
Super Benefits Administration Pty Ltd	-	(284,278)
<b>Australian Private Equity</b>	<u>16,724,865</u>	<u>4,243,435</u>
<b>Australian Infrastructure</b>		
Australian Infrastructure	182,568	-
AMP Capital Investors	-	-
Hastings UTA	-	609,994
Industry Super Hold III	-	3,154,811
IFM Australian Infrastructure Fund	-	(1,155,312)
<b>Australian Infrastructure</b>	<u>182,568</u>	<u>2,609,493</u>
<b>Australian Listed Equity</b>		
Australian Equity	3,512,358	-
Domestic Equity	-	(43,626)
Eley Griffiths Mandate	8,947,356	1,980,954
IFM Enhanced Index Fund	(5,041,344)	(1,718,987)
Invesco Small Caps Australian Equity Fund	-	(4,795,672)
Orbis/SM Australian Opportunity Fund	-	(3,722,955)
Perpetual Australian Equity Mandate	(8,806,738)	(3,652,675)
<b>Total - Australian Listed Equity</b>	<u>(1,388,368)</u>	<u>(11,952,961)</u>
<b>Property</b>		
Property	3,670,403	-
AMP Core Property Fund	-	(433,148)
Fortius Opportunistic Property Fund I	-	1,376,154
Franklin International Real Estate Fund 2	-	679,828
ISPT Core Fund	-	4,343,189
QIC Property	-	3,506,297
<b>Total - property</b>	<u>3,670,403</u>	<u>9,472,320</u>
<b>Fixed Interest Securities</b>		
Fixed Interest Securities	(7,181,389)	-
PIMCO Global	-	(1,867,926)
IFM Alternative Fixed Income Fund	-	278,632
BlackRock Indexed Australian Bond Fund	-	978,112
BlackRock Overseas Bond Index Fund	-	2,096,332
IFM Australian Credit Opportunities Mandate	(5,090,686)	(263,900)
PIMCO Fixed Interest Fund	-	(4,447,501)
Westbourne Infra Debt	-	(11,206,365)
Super Loans Trust (Members Equity)	-	(18,560)
<b>Total - fixed interest securities</b>	<u>(12,272,075)</u>	<u>(14,451,176)</u>
<b>International Infrastructure</b>		
International Infrastructure	(11,368,770)	-
IFM International Infrastructure Fund	-	2,522,000
<b>International Infrastructure</b>	<u>(11,368,770)</u>	<u>2,522,000</u>
<b>International Private Equity</b>		
International Private Equity	(1,166,052)	-
Wilshire Pooled Superannuation Trust	-	1,809,750
<b>International Private Equity</b>	<u>(1,166,052)</u>	<u>1,809,750</u>
<b>International Equity</b>		
International Equity	(37,634,256)	-
Blackrock Unhedged World Equity Fund	-	7,384,767
Capital International Global Equity Fund (Unhedged)	-	4,493,842
BlackRock Hedged World ex-Australia Equity Index Fund	-	9,415,967
Deutsche Global Thematic Fund	-	15,497,766
IFM Global Equities Trust	-	474,624
Orbis Global Equity Fund	-	(348,984)
<b>International Equity</b>	<u>(37,634,256)</u>	<u>36,917,982</u>
<b>TOTAL CHANGE IN NET MARKET VALUE - INVESTMENTS HELD</b>	<u>(42,154,684)</u>	<u>35,227,726</u>
<b>TOTAL CHANGE IN NET MARKET VALUE OF INVESTMENT ASSETS</b>	<u>(62,758,694)</u>	<u>38,712,515</u>



## Notes to the Financial Statements

For the year ended 30 June 2016

16 EXPENDITURE - ADMINISTRATION & INVESTMENT COSTS	Jun-16	Jun-15
	\$	\$
<b>Administration Costs</b>		
<i>Professional fees</i>		
Audit	(524,740)	(339,319)
Tax	(90,217)	(51,788)
Legal	(55,536)	(43,887)
Merger	(4,759)	(26,923)
Accounting & Other fees	(40,744)	(10,250)
Other Consultants	(78,370)	(189,753)
<i>Travel &amp; Accommodation</i>		
Accommodation	(26,969)	(20,070)
Airlines	(26,924)	(19,271)
Taxis & Parking	(14,393)	(12,104)
Meals	(3,623)	(2,878)
Administration	(4,508,334)	(4,504,879)
Archive	-	(18,957)
Bank charges	(24,459)	(30,871)
Co-ordinators	(1,762,224)	(1,719,989)
Depreciation Expense	(21,790)	(15,548)
Employment	(1,411,283)	(1,245,049)
Entertainment	(3,216)	(11,004)
Government Fees & APRA Levies	(235,559)	(317,874)
Information Technology Expenses	(485,183)	(1,031,455)
Marketing	(933,269)	(704,265)
Motor Vehicle	(11,743)	(14,032)
Occupancy	(119,473)	(127,313)
Office Administration	(41,740)	(54,874)
Printing & Postage Annual Report	(35,293)	(82,708)
Profit/Loss on Sale of Assets	-	(2,439)
Projects	(39,321)	-
Association Membership fees	(177,492)	(156,808)
Training Seminars & conferences	(60,274)	(43,438)
Trustee Liability Insurance	-	(83,317)
Trustee Services Fee	(926,833)	(763,261)
<b>Total expenditure - administration</b>	<u>(11,663,761)</u>	<u>(11,644,324)</u>
<b>Investment Costs</b>		
Custodial Services	(711,740)	(753,060)
Investment Advisory - Frontier	(573,959)	(477,863)
Financial Planning	(174,612)	(144,525)
Investment consulting	(489)	-
Direct investment Expenses	(100,300)	(52,419)
<b>Total expenditure - investment</b>	<u>(1,561,100)</u>	<u>(1,427,867)</u>
<b>TOTAL ADMINISTRATION &amp; INVESTMENT COSTS</b>	<u>(13,224,861)</u>	<u>(13,072,191)</u>

## Notes to the Financial Statements

For the year ended 30 June 2016

17a	INCOME TAX EXPENSE	Jun-16 \$	Jun-15 \$
	<b>Recognised in the Operating Statement</b>		
	<b>Current Tax Expense</b>		
	Current year	21,987,071	17,255,209
	Under/Over provision from prior periods	(1,522,430)	(3,226,963)
	<b>Deferred Tax Expense</b>		
	Movement in temporary differences	(1,397,153)	11,277,596
	Total income tax expense/(benefit)	<u>19,067,488</u>	<u>25,305,842</u>
	<b>Reconciliation between tax expense and benefits accrued as a result of operations before income tax</b>		
	Benefits accrued as a result of operations	276,259,062	353,918,446
	<i>Prima facie tax at the complying superannuation fund tax rate of 15%</i>	41,438,859	53,087,767
	Differences between Tax and Accounting arising in Prior Periods	(1,522,430)	(3,226,963)
	Group Life proceeds	(2,445,330)	(2,699,505)
	Franking and foreign tax credits	(6,875,236)	(8,387,990)
	Non Assessable Member contributions	(1,290,449)	(1,664,303)
	Non Assessable Transfers in	(4,494,579)	(4,094,943)
	Non Assessable Government contributions	(326,069)	(336,272)
	Non Assessable Investment Income	(5,417,278)	(7,371,949)
	<b>Income tax expense on benefits accrued as a result of operations</b>	<u>19,067,488</u>	<u>25,305,842</u>
17b	<i>Deferred tax asset relates to the following:</i>		
	Accrued expenses & provisions	575,104	418,244
	Deferred Income Tax Asset	<u>575,104</u>	<u>418,244</u>
17c	<i>Deferred tax liability relates to the following:</i>		
	Unrealised capital gains	(13,895,995)	(15,402,816)
	Unrealised ordinary investment income	(585,301)	(475,633)
	Deferred Income Tax Liability	<u>(14,481,296)</u>	<u>(15,878,449)</u>
18	<b>Reconciliation of Cash flows Provided by Operating Activities to Benefits Accrued from Ordinary Activities after Income Tax</b>	Jun-16 \$	Jun-15 \$
	Benefits accrued from ordinary activities after tax	257,191,574	328,612,605
	Benefits paid and payable	(161,002,150)	(145,588,487)
	Depreciation expense	21,790	(15,548)
	<b>(Increase)/decrease in assets</b>		
	Trade & other receivables	103,236	(226,536)
	Increase in Investment held	(131,032,420)	(198,935,972)
	Deferred Tax Assets	(156,860)	112,387
	<b>Increase/(decrease) in liabilities</b>		
	Benefits payable	785,265	90,826
	Trade and Other payables	1,303,107	(1,172,152)
	Deferred tax Liability	(1,397,153)	11,277,595
	Income tax payable	10,672,554	(9,638,208)
	Other items	(22,838)	(180,230)
	<b>Net cash flow provided by operating activities</b>	<u>(23,533,895)</u>	<u>(15,663,720)</u>

## Notes to the Financial Statements

For the year ended 30 June 2016

### 19 RELATED PARTIES

#### (a) Key management personnel disclosures

The Trustee of the Fund throughout the year was First Super Pty Ltd (ABN 42 053 498 472), RSE Licence No. L000666, Registration No. R1000948). As an RSE Licensee, the Trustee is regarded as being the Key Management Person and the names of the directors of the Trustee who held office at any time during the financial year ended 30 June 2016 are:

#### Directors

Michael O'Connor (Co-chair)	Alex Millar	Lisa Marty
Allan Stewart (Co-chair)	Denise Campbell-Burns	Julie George
David Kirner	Frank Vari	Bob Smith
Martin Lewis	Mike Radda	Candy Broad

#### Officers

William Watson is the Chief Executive Officer of First Super Pty Ltd.  
David Galloway is the Company Secretary of First Super Pty Ltd.

#### Transactions with related parties

The following Directors/officers (or former Directors/officers) of the Trustee Company are or were also members of the Fund:

Michael O'Connor (Co-chair)	Lisa Marty	Alex Millar
Allan Stewart (Co-chair)	Martin Lewis	Julie George
Mike Radda	Denise Campbell-Burns	William Watson

Superannuation contributions and benefits are determined using the same Trust Deed provisions which apply to all members.

#### Other Related Party Transactions

M. Lewis and M. O'Connor are directors of Super Benefits Administration Pty Ltd, which provides administration and other services to the Fund on normal terms and conditions.

M. Lewis is a Director of Frontier Advisors Ltd, which provides consulting services to the Fund on normal terms and conditions.

First Super owns 7% of Frontier Advisors Ltd which provides investment advisory services to the Fund at a commercial basis at arm's length.

First Super owns 100% of Super Benefits Administration Pty Ltd which provides administration services to the Fund at a commercial arm's length basis.

The following amounts are listed at year end in relation to Super Benefits Administration Pty Ltd

	2016	2015
Administration fees paid to Super Benefits Administration Pty Ltd	4,508,334	4,504,879
Trade & Other Payables - Administration Fees Owing	333,150	347,520

The Trustee applied for a license from the Australian Prudential Regulation Authority. The RSE license was granted on 9 June 2006 (license no L0003049) and amended for First Super on the 6th June 2008 effective 1st July 2008.

#### Compensation of Key Management Personnel

	2016	2015
Directors' fees and Salary	1,000,320	806,975
Post-employment benefits	20,201	25,026
<b>Total</b>	<b>1,020,521</b>	<b>832,001</b>

The Fund pays each director of the Trustee fees for services rendered to the Fund.

#### Co-ordinator Fund Payments

There were eight co-ordinators employed by CFMEU supplied on contract to First Super. The total payments for the year ended 30 June 2016 were \$1,762,224 (2015: \$1,719,989).

### 20 INSURANCE

The Fund provides death and disability benefits to members. These benefits are greater than the members' vested benefit. The Trustee has taken out insurance to cover the part of the benefit in excess of the vested benefit.

### 21 SEGMENT INFORMATION

The Fund operates solely in one reportable business segment, being the provision of benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. Revenue is derived from interest, dividends, property rentals, gains on the sale of investments, unrealised changes in the value of investments, and contributions revenue.

## Notes to the Financial Statements

For the year ended 30 June 2016

### 22 RISK MANAGEMENT

#### Financial Risk Management Objectives, Policies and Processes

The Fund's assets principally consists of financial instruments which comprise shares in Listed Companies, units in collective investment vehicles such as pooled superannuation trusts and other unlisted investments. The Trustee has determined that this type of investment is appropriate for the Fund and is in accordance with the Fund's published investment strategy.

The main risks arising from the Fund's financial instruments are interest rate risk, credit risk, market price risk and foreign currency risk. The nature and extent of the financial instruments employed by the Fund are discussed below. This note represents information about the fund's exposure to each of the risks, the Fund's objectives, policies and processes for measuring and managing the risk.

The Board of Directors of the Trustee has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Trustee's risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's Investment Manager, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is monitored by the Trustee. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept. This information is prepared and reported to the Trustee on a regular basis.

The Trustee has the overall responsibility for the establishment and oversight of the funds risk management framework. The Trustee's risk management policies are established to identify and analyse the risks faced by the Fund, including those risks contained within the Funds investment portfolio, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the funds activities.

The Trustee acknowledges that an integral part of its good governance practice is a sound and prudent risk management framework. The risk framework is documented in the Fund's Risk Management Plan and Strategy which is subject to regular review both by management and the Board and an annual audit of compliance.

The Board has established an Investment committee consisting of selected Board Members with appropriate Investment experience. The Investment Committee which is responsible for developing and monitoring the Fund's risk management policies related to investment activities. This includes oversight of the allocation of investments to fund managers, evaluating their performance and providing recommendations to the Board who has ultimate responsibility for the appointment of fund managers.

Further, the Fund undertakes extensive due diligence to ensure Fund Managers have appropriate skills and expertise to manage the Fund's allocated investments prior to their appointment. The Trustee office tracks the Fund's investment value on a daily basis through appropriate monitoring of the market conditions and benchmark analysis. Frontier Investment Advisors has been appointed to provide expert advice regarding the management of the Fund's investment portfolio in accordance with the investment strategy.

The Trustee's Audit and compliance committee oversees how management monitors compliance with the Fund and its controlled entities' risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The Trustee's Audit and Compliance Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit and Compliance Committee.

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimising through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

To mitigate market risk, the Fund undertake extensive due diligence prior to the appointment of fund managers to ensure they have appropriate expertise and skill for monitoring of the market conditions and benchmark analysis. Further Frontier Investment Advisors have been appointed to provide expert investment advice.

## Notes to the Financial Statements

For the year ended 30 June 2016

### 22 RISK MANAGEMENT (Cont.)

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As a result of its investment diversification the Fund holds significant investments in overseas markets and its Statement of Financial Position and Operating Statement can be affected by movements in US Dollars, Euros and British Pounds when translated to Australian Dollars. The fund manages its exposure to foreign currency risk by adhering to mandate limits and allowing individual managers to take out foreign exchange contracts. This foreign exchange policy is monitored against actual on an ongoing basis throughout the year.

The Fund's total net exposure to fluctuations in foreign currency exchange rates at the balance sheet date was as follows:

Following review of the deviation of currencies during the past 10 years and expected currency movements in 2015 the following movements in other currency risk are considered reasonably possible for the 2016 reporting period.

Currency	Up	Down	Carrying Value	Increase on Net Assets	Decrease on Net Assets
<b>30-Jun-16</b>					
USD	15%	-15%	8,814,398	1,555,482	(1,149,704)
EUR	15%	-15%	1,701,975	300,348	(221,997)
GBP	N/A	N/A	-	-	-
<b>30-Jun-15</b>					
USD	15%	-15%	12,621,284	2,227,285	(1,646,254)
EUR	15%	-15%	2,117,438	373,666	(276,188)
GBP	N/A	N/A	-	-	-

#### Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing securities held for trading and cash and capital guarantee investments. The Fund has set investment allocation ranges to meet its objectives in each investment option and monitors these ranges.

The sensitivity of the Statement of Financial Position is the effect of the assumed changes in interest rates on the interest income for one year, based on the floating rate financial assets held at 30 June 2016 and changes in fair value of investments for the year, based on revaluing fixed rate financial assets at 30 June 2016.

At the reporting date the interest rate profile of the Fund's interest-bearing instruments were:

Interest Bearing Instrument	Jun-16	Jun-15
Cash & Cash Equivalents	6,796,671	4,869,065
Cash & Capital Guaranteed	190,606,108	227,316,510
Fixed Interest	515,193,050	507,911,775
<b>Total</b>	<b>712,595,829</b>	<b>740,097,350</b>

The following table demonstrates the sensitivity of the Fund's Statement of Financial Position to a reasonably possible change in interest rates based on historical data and expected future movements over the next 12 months, with all other variables held constant.

Interest Bearing Instrument	Up	Down	Carrying Value Fixed Interest / Cash	Increase on Net Assets	Decrease on Net Assets
<b>Jun-16</b>					
Cash & Cash Equivalents	175bp	-175bp	6,796,671	118,942	(118,942)
Cash & Capital Guaranteed	175bp	-175bp	190,606,108	3,335,607	(3,335,607)
Fixed Interest	175bp	-175bp	515,193,050	9,015,878	(9,015,878)
<b>Total</b>			<b>712,595,829</b>	<b>12,470,427</b>	<b>(12,470,427)</b>
<b>Jun-15</b>					
Cash & Cash Equivalents	175bp	-175bp	4,869,065	85,209	(85,209)
Cash & Capital Guaranteed	175bp	-175bp	227,316,510	3,978,039	(3,978,039)
Fixed Interest	175bp	-175bp	507,911,775	8,888,456	(8,888,456)
<b>Total</b>			<b>740,097,350</b>	<b>12,951,704</b>	<b>(12,951,704)</b>

## Notes to the Financial Statements

For the year ended 30 June 2016

### 22 RISK MANAGEMENT - (Cont.)

#### Other price risk

Price risk is the risk that the fair value of investments in equities decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual share price or factors affecting all equity instruments in the market. equity price risk exposure arises from the Fund's investment portfolio.

To limit price risk the Trustee diversifies its investment portfolios in line with the Fund's various investment options asset allocations. The majority of equity investments are of a high quality and are publicly traded on recognised, reputable exchanges, the Trustee monitors the fund's exposure to various indices on an ongoing basis throughout the year ensuring the mandates and asset allocations are maintained.

Following review of the deviation on relevant indices over the past 10 years and expected investment rate movements in 2015 the following movements in other price risks are considered reasonably possible for the 2015 reporting period.

Asset Class	Up	Down	Carrying Value	Increase on Net Assets	Decrease on Net Assets
<b>2016</b>					
Australian listed Equities	38.3%	-21.8%	550,184,918	210,720,824	(119,940,312)
Australian Unlisted equities	18.6%	-2.3%	183,878,975	34,201,489	(4,229,216)
International listed equities	38.5%	-21.5%	464,097,544	178,677,554	(99,780,972)
Property	23.3%	-6.8%	252,572,311	58,849,348	(17,174,917)
International Private Equity	18.6%	-2.3%	10,849,577	2,018,021	(249,540)
Other	18.6%	-2.3%	-	-	-
Australian Infrastructure	18.6%	-2.3%	149,492,854	27,805,671	(3,438,336)
International Infrastructure	18.6%	-2.3%	104,713,391	19,476,691	(2,408,408)
<b>Total</b>			<b>1,715,789,570</b>	<b>531,749,598</b>	<b>(247,221,701)</b>
<b>2015</b>					
Australian listed Equities	38.3%	-21.8%	496,841,472	190,290,284	(108,311,441)
Australian Unlisted equities	18.6%	-2.3%	170,011,263	31,622,095	(3,910,259)
International listed equities	38.5%	-21.5%	501,795,933	193,191,434	(107,866,126)
Property	23.3%	-6.8%	208,333,976	48,541,816	(14,166,710)
International Private Equity	18.6%	-2.3%	13,403,483	2,493,048	(308,280)
Other	18.6%	-2.3%	-	-	-
Australian Infrastructure	18.6%	-2.3%	98,472,519	18,315,889	(2,264,868)
International Infrastructure	18.6%	-2.3%	91,939,692	17,100,783	(2,114,613)
<b>Total</b>			<b>1,580,798,338</b>	<b>501,555,349</b>	<b>(238,962,297)</b>

The Fund's financial assets and liabilities adopted in the Statement of Financial Position are carried at their net market value which approximates their fair values.

#### Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these investments as disclosed in the Statement of Financial Position.

The Fund holds no collateral as security or any other credit enhancements. There are no significant financial assets that are past due or impaired. Credit risk is managed by the individual managers and monitored by the Trustee.

The credit quality of financial assets is managed by individual investment managers in accordance with investment mandates and regularly monitored.

Concentration of credit risk is managed by counterparty, by geographical region and by industry sector. There is no significant credit risk by geographical region. The Fund does not have a scrip lending program.

The Fund's financial assets are managed by individual investment managers according to the Investment Strategy which includes strategic asset allocations which are reviewed and monitored on a frequent basis. There is no significant industry sector exposure.

Asset Class	2016	2015
Cash & Cash Equivalents	6,796,671	4,869,065
Cash & Capital Guaranteed	190,606,108	227,316,510
Fixed Interest	515,193,050	507,911,775
Australian Listed Equities	550,184,918	496,841,472
Australian Unlisted Equities	183,878,975	170,011,263
International listed equities	464,097,544	501,795,933
Property	252,572,311	208,333,976
International Private Equity	10,849,577	12,747,709
Australian Infrastructure	149,492,854	98,472,517
International Infrastructure	104,713,391	91,939,692
<b>Total</b>	<b>2,428,385,399</b>	<b>2,320,239,912</b>

#### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the Fund monitors its cash flow and invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition the Fund monitors cash flow and maintains sufficient cash and cash equivalents to meet normal operating requirements.

## Notes to the Financial Statements

For the year ended 30 June 2016

### 22 RISK MANAGEMENT (Cont.)

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less Than 1 Month	1-3 Months	3-12 Months	More Than 12 Months
<b>2016</b>				
Sundry Creditors	6,826,460	-	-	-
Vested Benefits	2,375,498,411	-	-	-
Derivative Liabilities				
- Inflows	-	-	-	-
- Outflows	-	-	-	-
<b>2015</b>				
Sundry Creditors	5,601,304	-	-	-
Vested Benefits	2,284,778,179	-	-	-
Derivative Liabilities				
- Inflows	-	-	-	-
- Outflows	-	-	-	-

Vested benefits have been included in the less than one month column, as this is the amount that members could call upon as at year-end. This is the earliest date on which the Fund can be required to pay members' vested benefits, however members may not necessarily call upon amounts vested to them during this time.  
**Fair value measurements recognised in the statement of financial position**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 net market value measurements are those investments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 net market value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3 net market value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) and the observable inputs have a significant effect on the instruments valuation.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>30 June 2016</b>				
Cash & Cash Deposits	-	137,972,553	-	137,972,553
Corporate bonds	-	1,024,500	-	1,024,500
Listed Equities	207,746,269	-	-	207,746,269
Listed Property Trusts	174,476,410	-	-	174,476,410
Listed Unit Trusts	12,580,129	-	-	12,580,129
Outstanding settlements/liquidity	-	66,010,411	-	66,010,411
Floating Rate Notes	-	17,540,065	-	17,540,065
Mortgage Back Securities	-	-	-	-
Preference Shares	3,059,500	-	-	3,059,500
Unlisted Unit Trust	-	-	-	-
Unlisted Equities	-	-	45,279,282	45,279,282
Unlisted Managed Invest Scheme	-	1,755,587,609	312,000	1,755,899,609
	<b>397,862,308</b>	<b>1,978,135,138</b>	<b>45,591,282</b>	<b>2,421,588,728</b>

## Notes to the Financial Statements

For the year ended 30 June 2016

### 22 RISK MANAGEMENT (Cont.)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>30 June 2015</b>				
Cash & Cash Deposits	236,932,161	-	-	236,932,161
Listed Equities	316,368,857	-	-	316,368,857
Listed Property Trusts	20,996,218	-	-	20,996,218
Listed Unit Trusts	5,875,561	-	-	5,875,561
Outstanding settlements/liquidity	5,463,643	-	-	5,463,643
Floating Rate Notes	1,045,002	13,333,360	8,982,302	23,360,664
Mortgage Back Securities	-	7,314,263	-	7,314,263
Preference Shares	2,026,920	-	-	2,026,920
Unlisted Equities	-	-	46,278,868	46,278,868
Unlisted Managed Invest Scheme	-	1,646,176,390	2,433,076	1,651,609,466
	<u>588,508,382</u>	<u>1,669,824,013</u>	<u>57,694,246</u>	<u>2,316,026,621</u>

#### Reconciliation of level 3 net market value measurements of financial assets

	Net market value	
	2016	2015
Opening Balance	57,694,246	52,857,554
Total Gains or losses in profit or loss	(12,102,964)	4,836,692
Transfers into/(out of) level 3	-	-
<b>Closing Balance</b>	<u><b>45,591,282</b></u>	<u><b>57,694,246</b></u>

### 23 AUDITOR'S REMUNERATION

Remuneration paid or payable for services provided by the auditor:

KPMG - Audit and review of the Financial Statements  
KPMG - Other Assurance Services

	Jun-16 \$	Jun-15 \$
	-	-
	310,520	141,350
	<u>310,520</u>	<u>141,350</u>

PWC - Audit and review of the Financial Statements  
PWC - Other Assurance Services

	Jun-16 \$	Jun-15 \$
	118,038	105,000
	-	-
	<u>118,038</u>	<u>105,000</u>

### 24 COMMITMENTS AND CONTINGENT LIABILITIES

#### Investments

The Fund has outstanding capital commitments in relation to unlisted investments contracted for as at the reporting date but not recognised as liabilities as follows.

Asset class	Jun-16 \$	Jun-15 \$
Private Equity	93,942,626	91,240,000
Infrastructure	13,369,383	20,000,000
Property	704,856	17,720,000
Floating Rate Debt	40,000,000	29,000,000
	<u>148,016,865</u>	<u>157,960,000</u>



## Trustees' declaration to the members

In the opinion of the Trustees of First Super:

1. The accompanying financial statements of First Super are drawn up so as to present fairly the financial position of the Fund as at 30 June 2016 and the benefits accrued as a result of its operations and cash flows for the year ended; and
2. The operations of First Super Superannuation Fund has been carried out in accordance with its Trust deed dated 25 March 1985, as amended and in compliance with
  - \* The requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations;
  - \* Applicable sections of the Corporations Act 2001 and Regulations;
3. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, other mandatory reporting requirements and the provisions of the Trust Deed dated (25 March 1985), as amended.

Signed in accordance with a resolution of First Super Pty Ltd (A.B.N. 42 053 498 472)

Dated in Melbourne this 20th day of September 2016.

Director

Director