



MTAA SUPERANNUATION FUND
ABN 74 559 365 913

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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MTAA SUPERANNUATION FUND
Statement of Financial Position
As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	12	54,642	16,694
Receivables		1,018	315
Other assets		1,796	1,424
Investments	3-4		
Cash and cash equivalents		1,401,860	1,588,047
Fixed interest		787,101	889,401
Australian equities		2,998,516	3,008,599
International equities		3,624,392	3,641,782
Global floating rate credit		905,838	839,003
Alternatives credit		159,693	218,766
Property		1,035,474	1,014,272
Infrastructure		1,273,358	1,371,020
Private equity		220,467	191,051
Other investment assets		6,112	5,378
Income tax receivable		46,265	22,642
Derivative assets		107,325	13,338
Non financial assets		585	473
Deferred tax assets	11	738	849
Total assets		12,625,180	12,823,054
Liabilities			
Payables		(29,193)	(17,633)
Derivative liabilities		(15,423)	(17,967)
Deferred tax liabilities	11	(180,171)	(230,844)
Total liabilities excluding member benefits		(224,787)	(266,444)
Net assets available for member benefits		12,400,393	12,556,610
Liability for member benefits	6	(12,238,269)	(12,366,952)
Total net assets		162,124	189,658
Equity			
Operational risk reserve		(33,594)	(33,241)
Other reserves		(128,530)	(156,417)
Total equity		(162,124)	(189,658)

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

MTAA SUPERANNUATION FUND
Income Statement
For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Superannuation activities			
Interest		55,162	56,323
Dividend revenue		457,231	614,100
Changes in fair value of investments	5	(700,255)	303,274
Other investment income		31,926	14,917
Other income		631	3
Total superannuation activities income		(155,305)	988,617
Expenses			
Investment expenses	9	(46,045)	(79,902)
Administration expenses		(17,610)	(18,020)
Operating expenses	8	(25,831)	(21,105)
Total expenses		(89,486)	(119,027)
Results from superannuation activities before income tax expense		(244,791)	869,590
Income tax (expense)/benefit	11	51,818	(29,101)
Results from superannuation activities after income tax expense		(192,973)	840,489
Net benefits allocated to members' accounts		165,439	(829,840)
Operating result after income tax		(27,534)	10,649

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

MTAA SUPERANNUATION FUND
Statement of Changes in Member Benefits
For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Opening balance of member benefits		12,366,952	11,396,914
Contributions received from:			
Employers		784,491	750,616
Members		71,221	68,469
Government		7,864	8,025
Transfer from other superannuation entities		313,083	206,270
Income tax on contributions		(110,363)	(102,754)
Net after tax contributions		1,066,296	930,626
Benefits to members or beneficiaries		(1,033,348)	(779,251)
Insurance premiums charged to members' accounts		(64,899)	(80,564)
Death and disability insurance benefits paid to members or beneficiaries		68,707	69,431
Anti-detriment expenses		-	(44)
Benefits allocated to members' accounts, comprising:			
Net investment income		(133,909)	865,608
Administration fees		(31,530)	(35,768)
Closing balance of member benefits	6	12,238,269	12,366,952

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

MTAA SUPERANNUATION FUND
Statement of Changes in Equity/Reserves
For the year ended 30 June 2020

	Note	Operational risk reserve \$'000	General reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2019		33,241	156,417	189,658
Net transfers (to)/from reserves		-	-	-
Operating result		353	(27,887)	(27,534)
Closing balance as at 30 June 2020		33,594	128,530	162,124
		Operational risk reserve \$'000	General reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2018		29,656	149,353	179,009
Net transfers (to)/from reserves		3,000	(3,000)	-
Operating result		585	10,064	10,649
Closing balance as at 30 June 2019		33,241	156,417	189,658

The above Statement of Changes in Reserves should be read in conjunction with the accompanying notes; in particular refer to Note 7 for further descriptions on Reserves.

MTAA SUPERANNUATION FUND
Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Interest received		233	394
Insurance proceeds		68,707	69,431
Other general administration expenses		(39,633)	(36,403)
Other income		759	3
Insurance premiums		(65,644)	(82,650)
Income tax (paid) / refund		(122,652)	(11,796)
Net cash (outflows) from operating activities	12	(158,230)	(61,021)
Cash flows from investing activities			
Purchase of investments		(532,222)	(555,771)
Proceeds from sale of investment		717,976	487,374
Capital contribution to Operation Risk Reserve		-	(3,000)
Sale/(Purchase) of fixed assets		(335)	-
Investment expenses		(11,875)	(14,052)
Net cash (outflows) from investing activities		173,544	(85,449)
Cash flows from financing activities			
Contributions received from:			
Employers		784,491	750,616
Members		71,221	68,469
Government		7,864	8,025
Transfers from other superannuation funds received		313,083	206,270
Benefits paid to members		(1,033,348)	(779,295)
Income tax paid on contributions received		(120,677)	(114,889)
Net cash inflows from financing activities		22,634	139,196
Net cash (outflows)		37,948	(7,274)
Cash at the beginning of the financial period		16,694	23,968
Cash at the end of the financial period	12	54,642	16,694

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

MTAA SUPERANNUATION FUND
NOTES TO THE FINANCIAL STATEMENTS

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MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2020

1. Operation of the Fund

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

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

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

The financial statements were approved by the Board of Directors of the Trustee on 27 August 2020.

2. Summary of significant accounting policies

(a) Basis of preparation

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

The principal accounting policies applied in the preparation of these financial statements are set out below, unless covered in other notes in the financial statements.

(b) New accounting standards and interpretations

Accounting Standard and Nature	Application Date of Standard	Application Date for Fund
AASB 9 Financial Instruments	1 Jan 2018	30 Jun 2019
AASB 9 Financial Instruments replaces the multiple classification and measurement models in AASB 139 Financial Instruments. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139.		

To the extent that AASB 9 is applicable to the Fund, it has been applied retrospectively without the use of hindsight. The adoption did not result in a change to the classification or measurement of financial instruments, including from the application of the new expected credit loss impairment model, in either the current or comparative period as all financial assets and liabilities, with the exception of member liabilities and tax assets and liabilities, remain at fair value through profit or loss in accordance with AASB 1056.

AASB 16 Leases	01-Jan-19	30-Jun-20
AASB 16 provides a comprehensive model for the identification of leases arrangements and their treatment in the financial statements for both lessees and lessors. The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets.		

In contrast to lessee accounting, AASB 16 substantially carries forward the lessor accounting requirements of AASB 117 Leases, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

This standard has not had a significant impact on the Fund's financial statements as the Fund does not have a material portfolio of leased assets as a lessee.

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Fund for the annual reporting period ended 30 June 2020. The impact of these standards and interpretations has been assessed and to the extent applicable to the Fund are outlined in the table below. Standards and interpretations that are not expected to have a material impact on the Fund have not been included.

Accounting Standard and Nature	Application Date of Standard	Application Date for Fund
AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material	01-Jan-20	01-Jul-20
Makes amendments intended to address concerns that the wording in the definition of 'material' was different in the <i>Conceptual Framework for Financial Reporting</i> , <i>AASB 101 Presentation of Financial Statements</i> and <i>AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors</i> .		
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	01-Jan-22	01-Jul-22
Clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period.		

The Fund does not expect the standards to have a significant impact on net profit or net assets.

(c) Significant accounting judgements, estimates and assumptions

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

For many of the Fund's financial instruments, quoted market prices are readily available. However, certain unlisted financial instruments, such as, infrastructure, property, private equity and alternatives credit are fair valued using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to note 4 for details.

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

2. Summary of significant accounting policies (continued)

Other Significant Accounting Policies

(d) Financial Instruments

(i) Classification

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

Financial instruments held for trading

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

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

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

Receivables

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

Other financial liabilities

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

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date). Changes in the fair value of the financial assets or financial liabilities are recognised from this date.

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

(iii) Measurement

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 liabilities at fair value through the income statement are measured at fair value. Gains and losses are presented in the income statement in the year it occurs as changes in fair value of investments.

(e) Cash and cash equivalents

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

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

(f) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value. Receivables are normally settled within 30 days. Collectability of trade receivables is reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount.

Payables are carried at nominal amounts which approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid as at the end of the reporting period. Payables are normally settled on 30 day terms.

(g) Non financial assets

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

(h) Revenue recognition

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

Changes in fair value

Changes in the fair value of investments and derivatives are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the Income Statement. Refer to note 4 for further information in regards to measurement of fair value.

Interest

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

Dividends and distributions

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

2. Summary of significant accounting policies (continued)

(i) Goods and services tax (GST)

The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(j) Foreign currency

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

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

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

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

(k) Rounding of amounts

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

3. Financial risk management

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

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

The Fund's investment options have various exposures to assets traded frequently in domestic and international markets, as well as to alternative assets which are less frequently traded. Alternative assets such as property and infrastructure, can have long term leases and provide income streams to the Fund. These assets are not directly linked to share markets, so they are expected to provide a buffer against the short term fluctuations of such markets. As there is no quoted trading or redemption value for some of these assets the Trustee has established a valuation policy to ensure that independent valuations are regularly undertaken for those assets.

Refer to Note 4 for further information. Examples of asset classes that are held include:

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

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

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

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

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

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2020

3. Financial risk management (continued)

COVID-19 Considerations

During the year, the Fund was impacted by the COVID-19 global pandemic with a number of the Fund's investments being revalued downwards following global and Australian share prices decreasing. The economic conditions also saw a number of the Fund's unlisted investments being revalued downwards after adjusting the inputs and assumptions in light of the Australian and global economy. This was to ensure the daily unit prices adopted by the Fund when valuing members' units represented fair value.

During this period, the Australian Government allowed temporary early access to super. This change allowed people affected by COVID-19 restrictions to access up to \$10,000 of their super in the current financial year and a further \$10,000 in financial year 2020-21. The impact of this change to the Fund was the withdrawal of monies by close to 40,000 of its members. To ensure the Fund's members were able to access their early release payment in a timely manner, the Fund worked closely with its administrator to ensure the majority of payments were deposited to members within 5 days of the application.

To address the additional risks that the pandemic has caused, particularly the risk to valuations, the Fund has taken the following steps in addition to continuing with established processes and procedures documented throughout Notes 3 and 4:

- additional independent valuations were undertaken for a number of the Fund's unlisted investments outside of the Fund's valuation cycle which resulted in more frequent valuations. This was considered essential to ensure the valuations used inputs that accurately reflected current market conditions - of the valuations undertaken, 95% were within 2 months of year end; the remaining valuations were reviewed against economic conditions to ensure the inputs and assumptions used were still appropriate;
- consistent with the Fund's Valuation Policy, the Investment Committee reviewed all valuations including the assumptions made with focus placed on what was considered the most appropriate point within the valuation range to adopt - in the majority of cases, the mid point was selected noting some assets were valued at the low point;
- more frequent analyses over cash flow and liquidity (at a minimum weekly) to ensure the Fund continued to meet its investment strategy while ensuring sufficient liquidity to meet early release payment requirements;
- more frequent reviews of the Fund's asset value movements and their impact on the deferred tax asset balance to prevent over-recognition of capital tax losses that will be recoverable in future; and
- entered into new derivative contracts (futures contracts) to hedge against equity movements, which has increased the Fund's derivatives balance.

Of particular note is the approach taken by valuers in assessing the fair value of the Fund's investment properties. As a result of the changing economic conditions arising from the COVID-19 pandemic, there is uncertainty surrounding the potential impact on future cashflows. Therefore, additional considerations have been taken into account including the increase in downtime, incentive allowances, reduction in rental growth and rental relief offered. Valuers have used the following valuation methodologies across the property portfolio, and in some instances have used all three to provide a comparison against each approach:

- capitalisation approach - the annual net rental income is capitalised at an appropriate market yield to arrive at the property's market value. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.
- discounted cash flow approach - this approach incorporates the estimation of future annual cash flows over a period of time by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate to derive a net present value for the property.
- direct comparison approach - this approach identifies comparable sales on a dollar per square metre of lettable area basis and compares the equivalent rates to the property being valued to determine the property's market value.

The fair value assessment of the Fund's investments as at the reporting date includes the best estimate of the impacts of the COVID-19 pandemic using information available at the time of preparation of the financial statements and includes forward looking assumptions.

(a) Market risk

(i) Price risk

Price risk is the risk that the total value of investments will fluctuate as a result of a change in market prices, whether caused by factors specific to an individual investment, its issuer or a factor affecting all instruments traded in the market, both listed and unlisted.

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

(ii) Foreign exchange risk

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

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

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

2020	US Dollar A\$'000	GB Pound A\$'000	Japanese Yen A\$'000	Euro A\$'000	Other A\$'000	Total A\$'000
Monetary assets						
Foreign exchange contracts **	(850,697)	(319,450)	(77,535)	(207,376)	(251,704)	(1,706,762)
Net monetary asset currency	(850,697)	(319,450)	(77,535)	(207,376)	(251,704)	(1,706,762)
Non monetary	1,946,300	389,826	230,242	410,122	441,173	3,417,663
Net currency exposure	1,095,603	70,376	152,707	202,746	189,469	1,710,901

2019	US Dollar A\$'000	GB Pound A\$'000	Japanese Yen A\$'000	Euro A\$'000	Other A\$'000	Total A\$'000
Monetary assets						
Foreign exchange contracts **	(559,613)	(381,051)	(66,360)	(295,954)	(75,482)	(1,378,460)
Net monetary asset currency	(559,613)	(381,051)	(66,360)	(295,954)	(75,482)	(1,378,460)
Non monetary	1,777,869	548,957	218,829	511,974	253,634	3,311,263
Net currency exposure	1,218,256	167,906	152,469	216,020	178,152	1,932,803

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

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2020

3. Financial risk management

(a) Market risk (continued)

(iii) Interest rate risk

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

The Fund's exposure to interest rate movement on those investments at 30 June 2020 and 30 June 2019 were as follows:

2020	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial assets				
Investments				
Cash and cash equivalents	486,801		915,059	1,401,860
Fixed interest		33,594	753,507	787,101
Australian equities			2,998,516	2,998,516
International equities			3,624,392	3,624,392
Global floating rate credit	905,838			905,838
Alternatives credit	159,003		690	159,693
Other assets			2,535,411	2,535,411
Cash at bank	54,642			54,642
Derivatives			107,325	107,325
Other receivables			1,018	1,018
Prepayments			1,796	1,796
Total financial assets	1,606,284	33,594	10,937,714	12,577,592
Financial liabilities				
Accounts payable	-	-	29,193	29,193
Derivative liabilities	-	-	15,423	15,423
Total financial liabilities	-	-	44,616	44,616

2019	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial assets				
Investments				
Cash and cash equivalents	755,584	-	832,463	1,588,047
Fixed interest	-	33,240	856,161	889,401
Australian equities	-	-	3,008,599	3,008,599
International equities	-	-	3,641,782	3,641,782
Global floating rate credit	839,003	-	-	839,003
Alternatives credit	217,022	-	1,744	218,766
Other assets	-	-	2,581,721	2,581,721
Cash at bank	16,694	-	-	16,694
Derivatives	-	-	13,338	13,338
Other receivables	-	-	315	315
Prepayments	-	-	1,424	1,424
Total financial assets	1,828,303	33,240	10,937,547	12,799,090
Financial liabilities				
Accounts payable	-	-	17,633	17,633
Derivative liabilities	-	-	17,967	17,967
Total financial liabilities	-	-	35,600	35,600

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's net assets available to pay benefits and net revenue to price risk, foreign exchange risk and interest rate risk. The reasonably possible movements in the risk variables have been based on the Trustee's best estimate coming from the annual strategic review process, 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, historical variations in risk variables should not be used to predict future variations in the risk variables.

A positive movement in the variable would result in an increase in the net assets and net revenue of the Fund; a negative movement would have the opposite effect.

*In the prior year financial statements, the Fund included in its assessment of interest rate risk, Cash and deposits and Fixed interest assets. In the current year, the Fund has also factored in Global floating rate credit and Alternatives credit assets. For consistency, the prior year comparatives have been adjusted.

		Foreign exchange risk					
	Change in variable	US Dollar A\$'000	GB Pound A\$'000	Japanese Yen A\$'000	Euro A\$'000	Other A\$'000	Total A\$'000
2020	+/- 10%	109,560	7,038	15,271	20,275	18,947	171,091
2019	+/- 10%	121,826	16,791	15,247	21,602	17,815	193,281

		Interest rate risk*		Price risk			
	Change in variable (%)	Total Fund	Fixed interest	Australian equities	International equities	Other assets	Total
2020	Effect on net assets and net revenue (\$'000)	15,852	30,140	449,777	579,903	228,249	1,288,069
2019	Effect on net assets and net revenue (\$'000)	18,448	34,246	391,118	546,267	206,677	1,178,308

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3. Financial risk management

(c) Credit risk

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

The Fund's maximum exposure to credit risk at 30 June 2020 is the carrying amount of the Fund's financial assets, net of impairment losses reported in the Statement of Financial Position. This exposure is outlined in the following table:

Financial assets	2020 \$'000	2019 \$'000
Investments		
Cash and cash equivalents	1,401,860	1,588,047
Fixed interest	787,101	889,401
Australian equities	2,998,516	3,008,599
International equities	3,624,392	3,641,782
Global floating rate credit	905,838	839,003
Alternatives credit	159,693	218,766
Property	1,035,474	1,014,272
Infrastructure	1,273,358	1,371,020
Private equity	220,467	191,051
Other investment assets	6,112	5,378
Derivatives	107,325	13,338
Other assets		
Cash at bank	54,642	16,694
Other receivables	2,814	1,739
Total financial assets	12,577,592	12,799,090

The Fund is also exposed to credit risk through investments in fixed interest securities which are rated by Standard and Poor. For unrated assets the Trustee assesses 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	2020 \$'000	2019 \$'000
AAA	463,044	418,012
AA-	33,715	33,518
A+	149,897	-
A	-	121,395
Not rated	140,445	316,476
	787,101	889,401

(d) Liquidity risk

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

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

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

30 June 2020	1 year or less A\$'000	1 to 5 years A\$'000	> 5 years A\$'000	Total A\$'000
Financial liabilities				
Accounts payable	29,193	-	-	29,193
Member liabilities	12,238,269	-	-	12,238,269
Derivatives				
Inflows	2,708,026	-	-	2,708,026
(Outflows)	(2,616,125)	-	-	(2,616,125)
Total derivatives	91,901	-	-	91,901
30 June 2019				
Financial liabilities				
Accounts payable	17,633	-	-	17,633
Member liabilities	12,366,952	-	-	12,366,952
Derivatives				
Inflows	2,176,111	-	-	2,176,111
(Outflows)	(2,180,740)	-	-	(2,180,740)
Total derivatives	(4,629)	-	-	(4,629)

3. Financial risk management

(d) Liquidity risk (continued)

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

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

(e) Climate risk

The Fund's goal is to grow and protect members' retirement savings over the long-term. Environmental, social and governance (ESG) risks and opportunities can have a material impact on investment outcomes. How a company is managed, how it operates, and how it impacts the environment and society all affect a company's likelihood of long-term and sustainable success.

The Fund takes an integrated approach to ESG risk management by considering ESG risks, impacts, and opportunities throughout the entire life of the investment process. This is achieved through the following:

- Engage with companies the Fund invests in to improve their operations;
- Vote at shareholder meetings to influence company governance; and
- Collaborate with industry groups on responsible investment practices.

The Fund's ESG Investment Principles, which are detailed in its ESG Policy and available on the Fund's website, forms the basis of the Fund's ESG procedures and activities and are complimentary, and align with, the UNPRI's (UN Principles for Responsible Investment) six principles for responsible investment.

Key ESG risks that are currently considered when investing include climate change, diversity, governance, and remuneration.

(f) Derivative financial instruments

The use of derivatives is an essential part of the Trustee's investment management. Derivatives are not managed in isolation. The Trustee enters into derivative contracts to hedge its foreign currency and its interest rate exposure within its fixed income mandates. In the current year, the Fund also entered into futures contracts to hedge against equity movements. Derivatives are not used to leverage any investments of the Fund. The following table outlines the risk exposures relating to derivatives held by the Fund as well as the market values of those contracts as at balance date.

	Notional Effective Exposure \$'000	Net Market Value \$'000
2020		
Forward foreign exchange contracts	(2,615,351)	62,855
Futures contracts	(774)	29,046
Total	(2,616,125)	91,901

	Notional Effective Exposure \$'000	Net Market Value \$'000
2019		
Forward foreign exchange contracts	(2,180,740)	(4,629)
Futures contracts	-	-
Total	(2,180,740)	(4,629)

4. Fair value measurements

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

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

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

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

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

(i) Level 1 investments:

These include shares quoted on active markets, cash and cash equivalents, and fixed interest investments, and are based on the last quoted sales price as at year end.

(ii) Fixed floating interest securities:

These include fixed and floating income securities not traded on public exchanges; these securities are valued at last trade quotations at year end. While not traded on a public exchange, there is sufficient liquidity in these over the counter markets to use the last trade quotation at year end.

(iii) Shares in unlisted securities and unit trusts:

Unlisted securities in infrastructure investments are stated at the Trustee's valuation based on the advice of the Fund's investment managers and external valuers at the balance date. Private equity investments are valued on the basis of bid prices as determined by the managers of the trusts at the balance date or based on the advice of the Funds external valuers at balance date. The unit prices are based on the valuations of the underlying securities, and the fund managers of unlisted assets typically appoint an independent valuer to value the underlying assets at least annually.

Unlisted assets are typically valued using Discounted Cash Flow models combined with an assessment of actual sales of comparable assets and price indicators from listed markets.

(iv) Derivative financial instruments:

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

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

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4. Fair value measurements (continued)

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

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

(a) Fair value hierarchy

AASB 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources. As noted above, market analyses were performed weekly with all Level 1 valuations using the year end strike price for valuation purposes.
- 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 (that is, derived from prices). These inputs must be observable for substantially the full term of the financial instrument. As noted above, market analyses were performed weekly with unit prices obtained at or close to 30 June 2020 to ensure accurate and valid fair values were adopted.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). This includes any instrument that is not categorised in Level 1 or Level 2 and includes assets that are subject to various valuations methodologies to determine their fair value. Refer to Note 3 for discussions on the additional steps taken by the Fund to ensure Level 3 assets were valued appropriately.

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

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

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2020 and 30 June 2019. The Trustee engages independent accredited valuers to provide an estimate of the market value for these investments on an annual or more frequent basis. The Trustee with its knowledge of the investment and relevant factors and with advice from its asset consultants, will determine the most appropriate value for the investment within a provided range. An analysis of the valuation ranges for these assets is provided in Note 4(b). There were no transfers between Level 1 and 2 in the period. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

2020	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	562,423	839,437	-	1,401,860
Fixed interest	33,594	753,507	-	787,101
Australian shares	2,998,516	-	-	2,998,516
International shares	3,092,722	531,670	-	3,624,392
Global floating rate credit	-	905,838	-	905,838
Alternatives credit	-	-	159,693	159,693
Property	-	-	1,035,474	1,035,474
Infrastructure	112,628	-	1,160,730	1,273,358
Private equity	-	48,217	172,250	220,467
Other investment assets	-	6,112	-	6,112
Derivatives assets	-	107,325	-	107,325
Total	6,799,883	3,192,106	2,528,147	12,520,136
Derivative liabilities	-	15,423	-	15,423
Total financial assets/liabilities	6,799,883	3,176,683	2,528,147	12,504,713

2019	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	898,101	689,946	-	1,588,047
Fixed interest	33,240	856,161	-	889,401
Australian equities	3,008,599	-	-	3,008,599
International equities	3,184,603	457,179	-	3,641,782
Global floating rate credit	-	839,003	-	839,003
Alternatives credit	-	-	218,766	218,766
Property	-	-	1,014,272	1,014,272
Infrastructure	159,706	-	1,211,314	1,371,020
Private equity	-	10,566	180,485	191,051
Other investment assets	-	5,378	-	5,378
Derivatives assets	-	13,338	-	13,338
Total	7,284,249	2,871,571	2,624,837	12,780,657
Derivative liabilities	-	17,967	-	17,967
Total financial assets/liabilities	7,284,249	2,853,604	2,624,837	12,762,690

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4. Fair value measurements (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

2020	Opening balance	Transfers from Level 2 to Level 3	Changes in fair value	Total Purchases	Total Sales	Closing balance	Unrealised gains/(losses) in profit or loss
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Alternatives credit	218,766	-	(1,162)	104,736	(162,647)	159,693	(6,003)
Property	1,014,272	-	12,755	8,447	-	1,035,474	25,029
Infrastructure	1,211,314	-	(231,621)	181,037	-	1,160,730	(225,468)
Private equity	180,485	-	(11,707)	3,541	(69)	172,250	(10,249)
Total	2,624,837	-	(231,735)	297,761	(162,716)	2,528,147	(216,691)

2019	Opening balance	Transfers from Level 2 to Level 3	Realised Gains/Losses	Total Purchases	Total Sales	Closing balance	Unrealised gains/(losses) in profit or loss
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Alternatives credit	297,720	-	(2,241)	72,815	(149,528)	218,766	3,244
Property	866,103	-	42,465	170,034	(64,330)	1,014,272	65,763
Infrastructure	1,279,112	-	170,891	72,199	(310,888)	1,211,314	(4,320)
Private equity	193,851	-	(12,092)	7,504	(8,778)	180,485	(10,240)
Total	2,636,786	-	199,023	322,552	(533,524)	2,624,837	54,447

(b) Analysis of valuation ranges

The Trustee engages independent valuers to provide an estimate of the net market value at balance date. Valuers often provide a range of values for an investment across a variety of reasonable assumptions, including a point estimate within the range, and the Trustee, with advice from its asset consultant, will determine the most appropriate value within the provided range. The following table shows the high and low points of the independent valuation ranges for each investment class against the values adopted by the Trustee as at 30 June 2020 and 30 June 2019. The high and low points of the ranges represent reasonably possible alternatives to the Fund values adopted at balance date.

Investment Class	30 June 2020			30 June 2019*		
	Low Point Value	High Point Value	Adopted Value	Low Point Value	High Point Value	Adopted Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Alternatives credit	157,295	161,302	159,693	218,055	219,082	218,766
Property	995,655	1,093,263	1,035,474	968,193	1,061,927	1,014,272
Infrastructure	1,087,292	1,238,137	1,160,730	1,147,479	1,278,562	1,211,314
Private equity	169,155	179,354	172,250	180,485	180,485	180,485
Total	2,409,397	2,672,056	2,528,147	2,514,212	2,740,056	2,624,837

The Level 3 assets outlined above are investments where prices are not quoted in an active market or values cannot be derived indirectly from listed prices. For its direct investments, the Trustee engages independent accredited valuers to provide an estimate of the market value for these investments on an annual or more frequent basis. With the exception of alternatives credit and property, a discounted cash flow model is used to value the Level 3 assets. For property assets, both a discounted cash flow model and capitalisation approach are used.

*An error was identified in the calculation of the low and high point values for Property in the comparative numbers resulting in a restatement in these financial statements. The error was caused by a transposition error and upon further investigation it was an isolated incident with only the above table being impacted.

(i) Alternatives credit

As at 30 June 2020 the Fund has alternatives credit assets of \$159.7m (2019: \$218.8m) categorised as level 3, which include corporate and securitised bonds, loans and other fixed interest instruments. Alternatives credit assets are valued using a market yield approach which is a form of the income method whereby the valuer determines the fair value of a debt security based on a selected yield. The yield represents the discount rate that is applied to discount the interest and principal payments to present value over the term of the instrument. The valuation process and technique has not changed compared to the previous year.

Unobservable inputs and assumptions can include the appropriate credit spread and other risk premium, risk free discount rate, future cash flows, identification of appropriate comparable and future economic and regulatory conditions. The Fund is not privy to the unobservable inputs and assumptions used by the underlying investment manager and are therefore not able to quantify the effect of a movement in an unobservable input or assumption.

(ii) Private equity

As at 30 June 2020 the Fund has private equity of \$172.3m (2019: \$180.5m) categorised as level 3, which include unlisted unit trusts, partnerships and unlisted managed funds. These investments are recorded at the redemption value at balance date, as provided by the external investment manager or general partner.

(iii) Property and Infrastructure

The income approach is applied where there is not a liquid market and where the asset/enterprise independent valuer valuing the underlying assets from the projected cashflows on a Net Present Value (NPV) or Discounted Cashflow (DCF) basis. With regards to properties, independent valuers may also use the capitalisation and/or direct comparison methodologies.

Significant unobservable input	Fair value impact from significant increase in input	Fair value impact from significant decrease in input
Capitalisation rate	Decrease	Increase
Discount rate	Decrease	Increase

30 June 2020

Asset class	Key unobservable input	Fair value	Range of inputs	Relationship of unobservable to fair value
Infrastructure	Discount rate	1,160,730	7.5% - 10.2%	Increase/(decrease) by 50 bps would (decrease)/increase fair value by \$93.5m.
Property	Capitalisation rate	1,035,474	4.75% - 6.10%	Increase/(decrease) by 50 bps would (decrease)/increase fair value by \$86.6m - \$104.0m.
	Discount rate		7.0% - 20.7%	Increase/(decrease) by 50 to 100 bps would (decrease)/increase fair value by \$1.6m - \$2.0m.

The majority of Property assets were valued using both a capitalisation approach and DCF basis; noting the sensitivity analysis above captures the key inputs, where both approaches were used the discount rate range was 6.25% - 7.50%.

30 June 2019

Asset class	Key unobservable input	Fair value	Range of inputs	Relationship of unobservable to fair value
Infrastructure	Discount rate	1,211,314	8.0% - 11.5%	Increase/(decrease) by 50 bps would (decrease)/increase fair value by \$79.1m - \$79.5m.
Property	Capitalisation rate	1,014,272	5.5% - 6.75%	Increase/(decrease) by 50 bps would (decrease)/increase fair value by \$79.4m - \$94.8m.
	Discount rate		18.0% - 21.0%	Increase/(decrease) by 100 bps would (decrease)/increase fair value by \$2.4m.

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5. Changes in fair value of investments

	2020	2019
	\$'000	\$'000
Investments held at balance date		
Level 1 and 2 instruments		
Cash and cash equivalents	903	1,459
Fixed interest	19,400	22,752
Australian equities	(171,483)	141,459
International equities	(154,157)	222,279
Global floating rate credit	32,515	24,106
Infrastructure	(47,077)	17,480
Private equity	(2,664)	(188)
Derivatives	61,677	(4,629)
Level 3 instruments		
Alternatives credit	(6,003)	3,244
Property	25,029	65,763
Infrastructure	(225,468)	(4,320)
Private equity	(10,249)	(10,240)
	(477,577)	479,165
Investments realised during the year		
Level 1 and 2 instruments		
Cash and cash equivalents	(851)	(610)
Fixed interest	(1,122)	(25,982)
Australian equities	(79,397)	(143,362)
International equities	(9,889)	(113,789)
Global floating rate credit	(59,793)	(17,629)
Private equity	(258)	61
Derivatives	(74,281)	(45,528)
Level 3 instruments		
Alternatives credit	3,679	(822)
Property	(304)	15,136
Infrastructure	(521)	157,560
Private equity	59	(926)
Other investment assets	-	-
	(222,678)	(175,891)
Change in fair value of investments	(700,255)	303,274

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

6. Liability for member benefits

Member liabilities are measured at the amount of accrued benefits. Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

The Trustee's management of the investment market risks is as disclosed within note 3.

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

Members bear the investment risk relating to the underlying assets and unit prices used to measure the members liabilities. Unit prices are updated daily for movements in investment markets.

At 30 June 2020 \$3,120,930 (2019: \$2,519,796) have not been allocated to members' accounts. The amount not yet allocated to members' accounts consists of contributions received by the Fund that have not been able to be allocated to members' as at balance date.

Member liabilities vest 100% to members.

	2020	2019
	\$'000	\$'000
Members liability at end of the financial year	<u>12,238,269</u>	<u>12,366,952</u>
Reserves	162,124	189,658
Net assets available to pay benefits	<u>12,400,393</u>	<u>12,556,610</u>

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7. Reserves

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

The purpose of the Operational Risk Reserve is to provide protection to the Fund in the event that a loss is incurred from an operational risk event occurring. The use of the Operational Risk Reserve is governed by the requirements of SPS 114, which is applicable to all APRA-regulated funds. The current Operational Risk Reserve represents approximately 0.27% (2019: 0.26%) of the net assets of the Fund. The Trustee has an Operational Financial Risk Requirement target of 27.5 basis points. During the current and previous financial year, there were no drawdowns made against the Operational Risk Reserve related to an operational risk event.

The General Reserve represents that pool of funds required to meet the general operating and administration costs of the Fund and any unexpected or otherwise unforeseeable operating costs that may arise. Administration levies are deducted from members' accounts to fund the Reserve. It also receives and distributes net investment earnings, (that is, income and capital gains from investments less tax and other relevant deductions). Investment related expenses, including investment related tax expenses, are met from this reserve.

8. Operating expenses

	2020	2019
	\$'000	\$'000
Advertising and sponsorships	4,831	6,210
Professional services fees	390	279
Field force expenses	4,067	3,944
Regulatory fees	1,154	149
Secretariat expenses (Non-Investment)	8,580	5,831
Trustee expenses	936	802
Merger-related expenses	1,942	-
Other operating expenses	3,931	3,890
Total operating expenses	25,831	21,105

Merger-related expenses relate to costs incurred solely to facilitate the merger between the Fund and Tasplan Superannuation Fund. These costs are one-off in nature and not expected to occur once the merger is complete. Merger-related costs are expensed in the Income Statement unless the costs relate to the purchase of capital items such as additional IT hardware or leasehold improvements. Where such costs are incurred, these are capitalised in the Statement of Financial Position as fixed assets. The costs incurred during the year reflect only the Fund's share of such costs.

9. Investment expenses

	2020	2019
	\$'000	\$'000
Investment management and performance fees	34,260	65,884
Trustee expenses	458	511
Investment consulting fees	7,787	8,459
Secretariat expenses (Investment related)	1,884	3,420
Other investment expenses	1,656	1,628
Total investment expenses	46,045	79,902

Included in Investment consulting fees are expenses paid to the Fund's asset consultants to manage some of its unlisted assets.

10. Insurance

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

11. Income Tax

	2020	2019
	\$'000	\$'000
(a) Major components of income tax expenses:		
Income Statements		
<i>Current tax expenses:</i>		
- Current tax charge	(80,252)	62,923
- Adjustments in respect of current income tax of previous years	(22,128)	(14,686)
Deferred tax:		
- Relating to the originating and reversal of temporary differences	50,562	(19,136)
Income tax expense as reported in the income statement	(51,818)	29,101
(b) Reconciliation between income tax expenses and the accounting profit before income tax		
Profit/(loss) from operating activities	(244,791)	869,590
Income tax at 15%	(36,719)	130,439
Imputation credits and other tax credits	(45,390)	(80,745)
Investment income	6,412	(32,986)
(Over)/Under provision in prior years	22,128	14,686
Exempt pension income	1,223	(2,229)
Tax allocated to members funds	528	(64)
	(51,818)	29,101

The above Income Tax expense is separate to the \$110.4m tax on members' contributions disclosed on the Statement of Changes in Member Benefits.

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11. Income Tax

(c) Deferred tax

	2020		
	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Deferred tax assets			
Other	849	(111)	738
	849	(111)	738
Deferred tax liabilities			
Unrealised gains in investments subject to CGT	230,844	(50,673)	180,171
	230,844	(50,673)	180,171
	2019		
	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Deferred tax assets			
Other	1,184	(335)	849
	1,184	(335)	849
Deferred tax liabilities			
Unrealised gains in investments subject to CGT	212,043	18,801	230,844
	212,043	18,801	230,844

(d) Tax accounting policy

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

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

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

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

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

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

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

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

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

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

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

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

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2020

12. Cash flow statement reconciliation

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

	2020 \$'000	2019 \$'000
Reconciliation of cash		
The figure shown for cash in the Statement of Cash Flows consists of:		
Cash and cash equivalents	<u>54,642</u>	<u>16,694</u>
Reconciliation of net profit after income tax to net cash from operating activities		
Profit/(loss) after income tax	(27,534)	10,649
Adjusted for:		
(Increase) / decrease in assets measured in fair value	202,343	(908,317)
Depreciation and impairment	222	218
(Increase) / decrease in insurance	3,063	(13,219)
(Increase) / decrease in receivables	(373)	(1,002)
Increase / (decrease) in payables	3,960	3,506
Increase / (decrease) in income tax payable	(174,470)	17,305
Allocation to members' accounts	(165,441)	829,839
Net cash (outflow) from operating activities	<u>(158,230)</u>	<u>(61,021)</u>

13. Commitments

As at 30 June 2020, the Fund had commitments of \$489.1m (2019: \$190.5m) in respect of uncalled elements of its investments. The uncalled commitments relate to the Fund's private equity investments, property and infrastructure investments. Time bands cannot be placed on those commitments, as it is difficult to predict the exact timing and pace of capital calls for any commitment based investment.

14. Contingent assets and liabilities

There were no material contingent assets or liabilities at the reporting date (2019:nil).

15. Significant events after balance date

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

16. Related parties

(a) Trustee and key management personnel

The Trustee of the Fund throughout the year was Motor Trades Association of Australia Superannuation Fund Pty Limited (ABN 14 008 650 628). The following Directors of the Trustee were key management personnel during all or part of the reporting period up to the signing date:

Independent Chairman

J. Brumby

Independent Directors

S. Dahn
A. O'Donnell

Employer Nominated Directors

D. A. Rowland*
P. Savige*
G. Lowe*

Employee Nominated Directors

R. O'Donnell*
D. Smith*
S. Walpole*

The following executive officers were key management personnel during all or part of the reporting period up to the signing date:

Executives

L. Turner (Chief Executive Officer)
M. Sykes* (Deputy Chief Executive Officer & Executive Manager, Finance)
P. Brown (Executive Manager, Investments)
C. Porter* (Executive Manager, Operations)
M. Irving* (Executive Manager, Marketing, Communications, Education & Advice)
G. Angeles (Acting Executive Manager, Finance)

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

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2020

16. Related parties (continued)

(b) Compensation of key management personnel

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

Compensation of the Trustee's Directors and the executives as listed in 16(a) was:

	2020	2019
	\$	\$
Short-term employer benefits	2,560,287	2,230,138
Post-employment benefits	217,340	190,339
Long-term benefits	103,917	56,830
	<u>2,881,544</u>	<u>2,477,307</u>

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

(c) Related party transactions

Motor Trades Association of Australia Superannuation Fund Pty Limited

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

Motor Trades Association of Australia Ltd

Motor Trades Association of Australia Ltd ("MTAA Ltd") is an employer sponsor to the Fund and the former shareholder of the Trustee. There were no services acquired from or payments to MTAA Ltd in the current reporting period (2019: Nil).

MTAA Superannuation Fund (Secretariat Co.) Pty Ltd

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

Secretariat Co.'s running costs are reimbursed on a full cost recovery basis from the Fund. This amounts to \$16,042,489 for the 2020 year (2019: \$14,333,987).

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

MTAA Superannuation Fund (Director Co.) Pty Ltd

The Fund utilised MTAA Superannuation Fund (Director Co.) Pty Ltd ("Director Co"), a wholly owned subsidiary, as a vehicle to engage consultants with relevant skills as appointees to investee company boards, where the Fund's interest is sufficient to enable it to have representation on the board of the investment. The role of Director Co is to receive any board related fees from the investee companies, administer the relevant consultants' agreements and remit fees to each consultant in line with those agreements. Director Co does need to recover some monies from the Fund from time to time, for some contracts and for the reimbursement of reasonable travel and accommodation costs. Net recoveries from the Fund to Director Co during the year amounted to \$Nil (2019: \$Nil).

Director Co did not engage or pay any of the Fund's Directors or key management personnel during the reporting period. This company was wound down during the year, with the company being deregistered on 25 September 2019.

Industry Super Holdings

MTAA Superannuation Fund has a 4.6% holding in Industry Super Holdings Pty Ltd (ISH) (2019: 4.6%), which through the following subsidiaries provides services to the Fund as follows:

IFS Insurance Solutions Pty Ltd (IFSIS) provides insurance broking and insurance consulting services to MTAA Superannuation Fund. These services are provided under normal commercial terms and conditions. Fees for services provided during the year amounted to \$49,321 (2019: \$Nil).

Industry Fund Credit Control Pty Ltd (IFCC) provides debt collection services to MTAA Superannuation Fund. These services are provided under normal commercial terms and conditions. There were no services acquired from or payments to IFCC in the current reporting period (2019: \$Nil).

Industry Fund Financial Planning (IFFP) provides financial planning services to the MTAA Superannuation Fund for the Fund's members. These services are provided under normal commercial terms and conditions. Fees for services provided during the year amounted to \$503,940 (2019: \$532,929).

Industry Super Australia (ISA) provides marketing, research and policy information services. MTAA Super jointly funds the marketing campaign of ISA and contributes funding for policy development and research. Fees for services provided during the year amounted to \$1,589,711 (2019: \$1,625,183).

L. Turner was a director of ISA during the financial year. There was no remuneration paid for this directorship.

(d) Controlled entities

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

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

The Fund has established a number of investment vehicles known as special purpose entities (SPE's) for trading, investment, investment administration and support services. Control is achieved when the Fund:

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

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

All other controlled SPE's are deemed to be Investment Entities as they have been established for the purpose of holding investments. The Fund measures and evaluates the performance of the investments on a fair value basis. As such, these entities have not been consolidated and are accounted for at fair value.

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2020

16. Related parties (continued)

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

	Ownership Interest %	
	2020	2019
Property		
MTAA Superannuation Fund (121 Marcus Clarke Street - Parking) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (121 Marcus Clarke Street) - Property Pty Ltd *	100%	100%
MTAA Superannuation Fund (40 Market Street) Property Pty Ltd *	100%	100%
MTAA Superannuation Fund (Alkimos) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Chapel Street) Property Pty Ltd*	100%	100%
MTAA Superannuation Fund (Ferntree Business Park) Property Pty Ltd*	100%	100%
MTAA Superannuation Fund (Flagstone Creek and Spring Mountain Park) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Storage) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Storage No. 1) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Storage No. 2) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Stores) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports) Utilities Pty Ltd	100%	100%
MTAA Superannuation Fund (R. G. Casey Building) Property Pty Ltd *	100%	100%
MTAA Superannuation Fund (100 Broadway) Property Pty Ltd *	100%	100%
Infrastructure		
MTAA Superannuation Fund (Air-Serv International Holding) Utilities Pty Ltd	100%	100%
MTAA Superannuation Fund (Latin Power) Utilities Pty Ltd	100%	100%
MTAA Superannuation Fund (MIP) Infrastructure Pty Ltd	100%	100%
MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd	100%	100%
Private Equity		
MTAA Superannuation Fund (Companion Funds) Private Equity Investments Pty Ltd	100%	100%
MTAA Superannuation Fund (Icon Parking Services) Utilities No. 1 Pty Ltd	100%	100%
MTAA Superannuation Fund (Icon Parking Services) Utilities No. 2 Pty Ltd	100%	100%
MTAA Superannuation Fund (MGOP) Private Equity Investments Pty Ltd	100%	100%
MTAA Superannuation Fund (SALSA) General Partner Pty Ltd	100%	100%
MTAA Superannuation Funds (SALSA) Research and Development Pty Ltd	100%	100%
Service Entities		
MTAA Superannuation Fund (Director Co.) Pty Ltd*	-	100%
MTAA Superannuation Fund (Secretariat Co.) Pty Ltd	100%	100%

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

*MTAA Superannuation Fund (Director Co.) Pty Ltd was deregistered on 25 September 2019.

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

MTAA Superannuation Fund (121 Marcus Clarke Street) Property Pty Ltd ("121 MC Street") acts as trustee for the MTAA Superannuation Fund (121 Marcus Clarke Street) Property Trust. 121 MC Street holds 50% interest in the commercial office building at 121 Marcus Clarke St in Civic, ACT.

The SPE has an interest only loan of \$34,550,000 which was reduced following disposal of 50% of its interest in the above mentioned office building. The facility will mature on 31 December 2023 and includes a line fee payable at 1.50% of the loan limit. The average variable rate on the loan for the year ending 30 June 2020 was 0.91% (2019: 2.05%).

The SPE has entered a fixed interest rate swap on 2 April 2019 for the full amount of the loan facility at a fixed rate of 2.23%. This swap will mature on 31 December 2023 for the full amount of the facility at a fixed rate of 2.23%.

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

- MTAA Superannuation Fund (Chapel Street) Property Pty Ltd

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

The SPE has a 5-year interest only loan of \$46,000,000. The loan will mature on 22 December 2020. The facility includes a line fee payable at 1.40% of the loan limit. The average variable rate on the loan for the period ending 30 June 2020 was 0.80% (2019: 1.89%).

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

The bank loan is secured by the first mortgage over Chapel Street's interest in the property at 670 Chapel Street, Melbourne, a letter of support from the Trustee of the MTAA Superannuation Fund and a first registered General Security Deed from Chapel Street over all its assets and undertakings held as trustee of the MTAA Superannuation Fund (Chapel Street) Property Trust. The SPE did not breach any of its covenants during the year.

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2020

16. Related parties (continued)

- MTAA Superannuation Fund (RG Casey) Property Pty Ltd

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

The SPE entered into a new 3.5-year interest only loan of \$154,100,000 as of 28 December 2012 after finalisation of a further 15-year lease with the tenant. The loan was further refinanced on 29 July 2016 for another 7 years in the amount of \$155,000,000. The facility includes a line fee payable at 1.75% of the loan limit. The average variable rate on the loan for the year ending 30 June 2020 was 0.89% (2019: 1.97%).

In July 2016 RG Casey entered into a 7-year fixed interest rate swap for the full amount of the facility. The fixed rate in the swap is 1.975%.

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

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

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

The SPE entered into a 7-year interest only loan of \$58,000,000 as on 6 May 2015. The facility includes a line fee payable at 1.45% of the loan limit. The average variable rate on the loan for the period ending 30 June 2020 was 0.93% (2019: 1.96%). The SPE also entered into a 7 year fixed interest rate swap for the full amount of the loan as of 6 May 2015 to 6 May 2022. The fixed rate in the swap is 3.03%.

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

- MTAA Superannuation Fund (Ferntree Business Park) Property Pty Ltd

MTAA Superannuation Fund (Ferntree Business Park) Property Pty Ltd ("FBP"), acts as trustee for the MTAA Superannuation Fund Property (Ferntree Business Park) Property Trust. The SPE holds the Fund's 100% interest in Ferntree Business Park, Notting Hill, Melbourne, Victoria.

The SPE entered into a 7-year interest only loan of \$87,750,000 as on 8 August 2017. The facility includes a line fee payable at 1.70% of the loan limit. The average variable rate on the loan for the period ending 30 June 2020 was 0.93% (2019: 1.96%).

The SPE also entered into a 7-year fixed interest rate swap for the full amount of the loan as of 8 August 2017 to 7 August 2024. The fixed rate in the swap is 2.6275%

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

- MTAA Superannuation Fund (100 Broadway) Property Pty Ltd

MTAA Superannuation Fund (100 Broadway) Property Pty Ltd ("100 Broadway") acts as trustee for the MTAA Superannuation Fund (100 Broadway) Property Trust. The SPE holds the Fund's 100% interest in 100 Broadway, Chippendale, NSW.

The SPE entered into a 7-year interest-only loan of \$38,570,000 as of 26 November 2018. The facility includes a line fee payable of 1.55% of the loan limit. The average variable rate on the loan for the period ending 30 June 2020 was 0.91% (2019: 1.91%).

The SPE also entered into a 7-year fixed interest rate swap for the full amount of the loan as of 4 December 2018 to 4 December 2025. The fixed rate in the swap is 2.6275%.

The bank loan is secured by the first mortgage over 100 Broadway's interest in the property, a letter of support from the Trustee of the MTAA Superannuation Fund and a first registered company charge from 100 Broadway over all its assets and undertakings held as trustee of the MTAA Superannuation Fund (100 Broadway) Property Trust. The Company did not breach any of its covenants during the year.

Other related parties

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

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

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

MTAA SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended 30 June 2020

17. Auditors' remuneration

	2020	2019
	\$'000	\$'000
Amount paid to PricewaterhouseCoopers		
Audit Services provided by Fund auditor		
Audit of financial statements and regulatory requirements of various entities within the Fund	285	280
Internal audit of various projects	-	-
Other services provided by the Fund auditor		
Investment due diligence	99	8
Other consulting services	21	39
Taxation services	311	270
US taxation services	16	31
Valuation services	-	30
	732	658

18. Significant business events

During the year, the Fund together with Tasplan Super extended the timeline of their planned merger due to the COVID-19 global crisis. The merger date was originally set for 1 October 2020 but was extended to no earlier than 31 March 2021. The decision, made by the boards of both funds being believed to be in the best interests of members, came after a joint recommendation from MTAA Super CEO Leeanne Turner and Tasplan CEO Wayne Davy to the Chairs of both Boards, with sustained market volatility and concerns about supplies of specialist services being key factors behind the extension

The merger is still expected to be in the best interest of members of both funds with the combined fund providing greater efficiencies, improved products and services, increased capability, and better value to members. However, the extension in the timeline allowed both funds to focus on getting members the service, advice, and support they needed during the period.

MTAA SUPERANNUATION FUND

Trustee Declaration

For the year ended 30 June 2020

In the opinion of the directors of the Trustee of MTAA Superannuation Fund:

- (a) the accompanying financial statements and notes set out on pages 1 to 25 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 2020 and of its performance for the financial year ended on that date,
- (b) the Fund's financial statements have been prepared 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 2020, 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 in accordance with a resolution of the Board of Directors of Motor Trades Association of Australia Superannuation Fund Pty Limited (ABN 14 008 650 628) as Trustee for MTAA Superannuation Fund.



Director: _____



Director: _____

27 August 2020



Independent Auditor's report on financial statements

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

Report by the RSE Auditor¹ to the trustee and members of MTA Superannuation Fund (ABN: 74 559 365 913)

Opinion

I have audited the financial statements of MTAA Superannuation Fund for the year ended 30 June 2020 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity/Reserves, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of MTAA Superannuation Fund as at 30 June 2020 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2020.

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 (including Independence Standards)* (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 Standards² and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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 so³.

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's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

³ Auditing Standard ASA 570 *Going Concern*, paragraph 2



- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

PricewaterhouseCoopers.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Nicole Osborne', written in a cursive style.

Nicole Osborne
Partner

Melbourne
27 August 2020