



**Illustrative AASB 1056 Financial
Report for Superannuation Entities**
Financial year ended 30 June 2017

April 2017

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April 2017

Illustrative Financial Reports for Superannuation Entities

We are pleased to present the latest illustrative financial report for superannuation entities. They have been designed by Deloitte Touche Tohmatsu to assist clients understanding the financial reporting requirements for superannuation entities. This illustrative financial report has been designed to comply with **Australian Accounting Standard AASB 1056 Superannuation Entities**, which was issued in June 2014. Adoption of AASB 1056 results in financial reporting requirement imposed by *AAS 25 Financial Reporting by Superannuation Plan* being superseded. A summary of the key requirements and impact of the adoption of AASB 1056 compared to AAS 25 is included on pages 4-8.

Considering the aim of *AASB 1056 Superannuation Entities* is to provide consistent reporting framework for both defined benefit and defined contribution funds, this publication sets out illustrative financial report for a superannuation entity that has both defined benefit and defined contribution members (i.e. a hybrid superannuation entity). The illustrative financial report is not designed to meet all the needs of specialised superannuation funds, rather it is intended to provide general guidance to funds in complying with the relevant accounting standards.

We hope you find this illustrative financial report for superannuation entities of value.

Kind regards,



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Introduction

Glossary

Abbreviation	Definition
AASB	Australian Accounting Standards issued by the Australian Accounting Standards Board
AASB 1056	Accounting Standard AASB 1056 <i>Superannuation Entities</i> , issued by the Australian Accounting Standards Board
AAS 25	Accounting Standard AAS 25 <i>Financial Reporting by Superannuation Plans</i> , issued by the Australian Accounting Standards Board, superseded by AASB 1056
DB	Defined Benefit
DC	Defined Contribution
Hybrid Fund	Superannuation fund with both DB and DC members
SIS	Superannuation Industry (Supervision) legislation (SIS Act and SIS Regs)
SIS Act	Superannuation Industry (Supervision) Act 1993
SIS Regs	Superannuation Industry (Supervision) Regulations 1994

Instructions

- All source references are to *AASB 1056 Superannuation Entities*, unless otherwise indicated
- Each superannuation plan that is a reporting entity shall prepare, at least annually, a general purpose financial report and shall make it available to members. General purpose financial reports of superannuation plans shall be prepared in conformity with Statements of Accounting Concepts, Australian Accounting Standards and relevant Interpretations.
- Where particular wording is not applicable it should be deleted or amended. Further, where there are no current and prior year amounts for a particular line item these should also be deleted
- The illustrative financial reports are intended as a guide only and do not cover all situations. It is important that they are used in conjunction with AASB 1056 and other relevant accounting pronouncements. If you have queries or comments on this publication, please contact your representative from the Deloitte Superannuation Assurance & Advisory Group.

Overview of AASB 1056 Superannuation Entities

The following commentary is presented to provide an overview of the requirements under the new superannuation standard, AASB 1056 *Superannuation Entities* (the 'Standard') compared with the former AAS 25 *Financial Reporting by Superannuation Plans*.

Operative date

The AASB released *AASB 1056 Superannuation Entities* in June 2014. The effective date for the Standard is for reporting periods beginning on or after 1 July 2016. The Standard may also be applied to annual reporting periods beginning on or after 1 July 2005 but before 1 July 2016. When an entity chooses to apply this Standard to such earlier reporting periods, it shall disclose that fact and that it supersedes AAS 25.

The key differences between AASB 1056 and AAS 25 are as follows:

Section	Requirements of AASB 1056 Superannuation Entities	Main differences to AAS 25	Considerations before adoption
Application of Australian Accounting Standards	Takes a similar approach to AAS 25, but is far more integrated with other Australian Accounting Standards (and therefore with International Financial Reporting Standards).	AAS 25 requires superannuation entities to apply, where appropriate, Australian Accounting Standards, but with some significant exceptions.	Consider impact on the financial statements in advance of the new standard being adopted.
Presentation of Financial Statements	Requires that superannuation entities present: <ol style="list-style-type: none"> a statement of financial position; an income statement; a statement of changes in equity/reserves; a statement of cash flows; a statement of changes in member benefits. 	<p>AAS 25 requires a defined contribution plan ('DC'), and permitted a defined benefit plan ('DB'), to present a statement of financial position, operating statement, and statement of cash flows.</p> <p>Alternatively, defined benefit plans could present a statement of net assets and a statement of changes in net assets.</p> <p>AASB 1056 has a common format for both DB and DC funds which will improve comparability.</p>	<p>Consider impact of requirement to present comparatives for new statements not previously prepared (ie. statement of changes in equity/reserves, statement of changes in member benefits, and in the case of DB funds, statement of cash flows).</p> <p>Consider what additional information is required to enable comparative financial information for prior periods and how to obtain this information.</p> <p>Accounting for movements in reserves required.</p> <p>Member balances to be presented as a liability. Annual measurement required for defined benefit funds.</p> <p>Format of presentation for defined benefit funds has potential to show funds in an unsatisfactory financial position. Consideration should be given to disclosure and recognition of receivable from employer, if relevant.</p>

Statement of Financial Position	The difference between total assets and total liabilities (which includes member liabilities) is recognised as equity in the statement of financial position.	AASB 1056 is more closely aligned with AASB 101, allowing comparable format of statement of financial position between defined contribution and defined benefit funds.	Consider impact to presentation including: <ul style="list-style-type: none"> • Member balances presented as a liability • Disclosure requirements for differences (if any) between net assets attributable to defined benefit members and the associated liabilities.
Income Statement	The items that the Standard requires to be presented in the income statement include: revenues; expenses; gains and losses arising from the re-measurement of assets and liabilities measured at fair value; net benefits allocated to member accounts; and net change in defined benefit member liabilities. The Standard regards contributions from employers and members and benefits to members as affecting member liabilities, not as income and expenses.	AAS 25 requires changes in the net market value of assets and financial liabilities to be included as a component of revenue. Contributions from employers and members and benefits to members were previously accounted for as income and expenses. Changes in member liabilities previously unaccounted for.	Re-measurement of member liabilities and net change in defined benefit member liabilities to be reconciled and measured. Contributions and benefits no longer considered revenue/expense but rather movement in member equity balances.
Statement of Changes in Member Benefits	<p>The Standard requires a statement of changes in member benefits to be presented and that it includes:</p> <ol style="list-style-type: none"> contributions, rollovers and transfers from employers and members; income tax on contributions; benefits to members; net investment income allocated to members; and administration expenses charged to members. <p>The Standard also requires that current and deferred tax be charged directly to member liabilities and presented in the statement of changes in member benefits when the tax relates to items that are credited or charged, in the same or a different period, directly to member liabilities.</p>	AAS 25 does not require presentation of a statement of changes in member benefits.	Consider the information required to prepare a statement of changes in member benefits which includes contributions and transfers in, income tax, benefits paid, net investment income and administration expenses charged to members.
Statement of Changes in Equity/Reserves	The interests of members of superannuation entities are liabilities and are not regarded as meeting the definition of an 'equity instrument' in paragraph 11 of AASB 132 <i>Financial Instruments: Presentation</i> , which is "any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities".	AAS 25 requires presentation of changes in equity and reserves for defined contribution funds but not defined benefit.	Identify and consider reserves held by the fund and accounting for movements. Ensure defined benefit funds also present changes in equity and reserves.

Assets and Liabilities Measured at Fair Value	Requires the measurement approach of 'fair value through profit or loss' with specific exceptions. The exceptions include member liabilities and tax balances.	AAS 25 requires assets and financial liabilities to be measured at 'net market values' with similar exceptions to those applying under the Standard.	Consider changes required to exclude transaction costs when measuring assets and liabilities at fair value.
Member Liabilities	<p>Requires both defined contribution and defined benefit member liabilities to be recognised and measured as the amount of accrued benefits. The measurement principle in the Standard for a defined benefit member liability is the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would meet accrued benefits when they are expected to fall due.</p> <p>The Standard requires defined benefit member liabilities to be measured at each reporting date. However, it does not identify any particular methodologies that might be employed in measuring defined benefit member liabilities, for example, when an actuary is not engaged to conduct a full actuarial valuation. Superannuation entities may use estimates, averages and computational shortcuts provided that any shortcut techniques used yield a reliable approximation of the defined benefit member liabilities.</p>	AAS 25 requires defined contribution member liabilities to be determined as the difference between assets and 'other' liabilities. It requires defined benefit member liabilities to be determined as the present value of expected future payments (remeasured at least once each three years).	<p>Consider the new measurement requirements including the need to:</p> <ul style="list-style-type: none"> • Re-measure defined benefit member liabilities at each reporting date. • Determine what methodology will be employed to measure the defined benefit member liabilities on an annual basis and level of actuarial involvement required.
Employer-sponsor Receivables	Requires an asset to be recognised to the extent there is a receivable from an employer-sponsor in respect of a difference between a defined benefit member liability and the fair value of assets available to meet that liability that meets the definition and recognition criteria for an asset. The asset is required to be measured at its 'intrinsic value' (the amount of the difference, unless capped). The requirement is expected to give rise to the recognition of an asset in only a limited number of cases.	AAS 25 does not address employer-sponsor receivables.	<p>Identify the existence of any relevant receivables from employers, and consider their compliance with the recognition criteria.</p> <p>Consider requirement for disclosure.</p>

<p>Disclosure</p>	<p>Includes a number of disclosure 'principles', including requiring the following disclosures:</p> <ul style="list-style-type: none"> a) Information that provides users with a basis for understanding the nature of the entity, the benefits provided to members and the expenses it incurs; b) Information about changes in key components of defined benefit member liabilities that provides users with a basis for understanding the overall change; c) Deeming defined contribution member liabilities to be within the scope of AASB 7 in respect of credit risk, market risk and liquidity risk (not the fair value disclosures); d) In relation to accrued defined benefit member liabilities, the basis for the assumptions used in measurement, including the manner in which they are determined, the impact of changes to demographic assumptions compared with changes in financial assumptions, and the sensitivity of the liabilities to reasonably possible changes in key assumptions, and; e) When net assets attributable to defined benefit members differs from defined benefit member liabilities, information explaining the policies for managing the difference; and f) Disaggregated financial information where that would help to explain the risks to which different categories of members are exposed. 	<p>AAS 25 requires specific disclosures about classes of assets, liabilities, investment revenue and expenses. Many of these related to member liabilities and would be captured in the statement of changes in member benefits required by the Standard.</p>	<p>Consider relevant disclosure principles.</p> <p>Consider whether systems will need to be re-configured to enable the extraction of the necessary financial information in an appropriate format so that appropriate disclosures can be made.</p> <p>Consider what disaggregated information should be presented.</p> <p>Consider what information will need to be sourced from employer sponsors and actuaries.</p> <p>Defined contribution member liabilities should be disclosed in the AASB 7 note.</p> <p>Consider disclosure regarding basis for assumptions used in measurement for defined benefit member liabilities and sensitivity analysis of key assumptions.</p>
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Insurance Arrangements	<p>Requires that, when a superannuation entity has an obligation under insurance arrangements provided to members (whether defined contribution or defined benefit), any insurance contract liabilities are measured in a manner consistent with the way in which defined benefit member liabilities are measured. Any reinsurance assets are required to be recognised and measured consistent with insurance contract liability recognition and measurement requirements, which includes an asset impairment assessment. Insurance premiums, claim expenses, reinsurance costs and reinsurance recoveries would be presented in the income statement.</p>	<p>AAS 25 does not address insurance arrangements provided to members other than in the context of providing an exemption from some of the requirements of AAS 25 for a plan that purchases insurance policies that match and guarantee benefits to members.</p>	<p>Consider the nature of any insurance arrangements, and ensure they are appropriately disclosed.</p> <p>Consider what level of actuarial involvement may be required to measure insurance liabilities consistently with the way defined benefit member liabilities are measured.</p>
Consolidated Financial Statements	<p>Consolidated financial statements are not specifically addressed in the Standard. The requirements of AASB 10 <i>Consolidated Financial Statements</i>, would apply. AASB 10 provides an exemption from consolidation of subsidiaries by entities which meet the definition of an investment entity. Instead, such entities would measure their investment in particular subsidiaries at fair value through profit or loss in accordance with AASB 9 <i>Financial Instruments</i> or AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p>	<p>AAS 25 does not specifically address requirement to prepare consolidated financial statements.</p>	<p>AASB 10 is relevant for determining when a consolidation takes place. AASB 10 provides an exception from consolidation for investment entities. The exception applies to all subsidiaries of investment entities except subsidiaries that provide services relating to the investment entity's investment activities. Consider whether the consolidation exemption requirements as outlined in AASB 10 apply.</p>

Types of Superannuation Members

AASB 1056 identifies two types of members:

- Defined Benefit ("DB") member – a member whose benefits are specified, or are determined, at least in part, by reference to a formula based on their years of membership and/or salary level. This also include members whose benefit entitlements have characteristics of both defined benefit and defined contribution entitlements.
- Defined Contribution ("DC") member – a member whose benefits are determined by reference to accumulated contributions made on their behalf and/or by them, together with investment earnings thereon.

Application of standard

AASB 1056 applies to superannuation plans in both the public and private sector that are reporting entities, as well as to plans that are not reporting entities but which prepare general purpose financial statements.

The Statement of Accounting Concept 1 ("SAC 1") describes "reporting entities" as "entities in respect of which it is reasonable to expect the existence of users dependent on general purpose financial reports for information, which will be useful to them for making and evaluating decisions about the allocation of scarce resources".

The following plans are unlikely to normally be identified as reporting entities and will normally have no obligation to comply with the provisions of the Standard:

- Self-Managed Superannuation Funds
- Some small APRA Funds (Funds with less than 5 members but regulated by APRA).

It is the Trustee's responsibility, however, to assess whether general purpose or special purpose financial statements are appropriate in each situation.

Accrued benefits

Accrued benefits are to be recognised as member liabilities.

1. Defined Benefit Liability

Accrued benefits are determined, using actuarial assumptions and valuations where appropriate, as the present value of expected future payments arising from membership of the plan up to measurement date.

The present value of expected future benefit payments shall be determined by discounting the gross benefit payments at current, market-determined, risk-adjusted discount rates appropriate to the plan. This rate would generally reflect the discounted rate of return required to meet accrued benefits as they fall due.

2. Defined Contribution Liability

Accrued benefits are calculated as the difference between the carrying amount of assets and liabilities of the plan.

The liabilities of the plan will include income tax liabilities, sundry liabilities and liabilities arising from forfeited benefits which have not been designated for the benefit of existing plan members at the reporting date. The accrued benefits will comprise those benefits allocated to members' accounts and those not yet allocated.

Measurement of assets

Assets of all superannuation plans are to be measured at fair values through profit or loss as at the reporting date.

Changes in fair value of assets

The change in the fair value of a plan's assets since the beginning of the reporting period is to be included as revenue in the reporting period.

Revenue will include:

- Changes in fair values of investments and other assets
- For assets realised, the difference between the carrying amount of the asset as at the beginning of the reporting period (or when acquired, if acquired after the beginning of the reporting period) and its fair value when realised.

DNew Superannuation fund

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Independent auditors' report to the members of DNew Superannuation Fund

Source Reference

Audit Report under
SIS Act

General guidance

The audit report is based on the approved form released by APRA as contained on their website.

Trustee's Statement

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

1. The accompanying financial statements of DNew Superannuation Fund are properly drawn up so as to present fairly the statement of financial position of the Fund as at 30 June 2017, the income statement for the year ended 30 June 2017, and the statements of changes in member benefits, changes in equity / reserves and cash flows for the year ended on that date; and
2. The accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the Board of Directors of DNew Superannuation Fund Pty Ltd (ABN 11 004 001 001)

Signed at This day of 2017

Director

Director

Income Statement for the financial year ended 30 June 2017

Source Reference		Note	2017 (\$)	2016 (\$)
AASB 1056.8(b)				
	Superannuation activities			
	Interest	17	627,838	628,019
	Dividends		7,220,134	7,222,214
	Distributions from pooled superannuation trust and unit trusts		33,543,917	23,550,696
	Other income		7,740	82,854
	Changes in fair value of investments	18	60,987,956	42,479,270
	Changes in fair value of other assets		150	206
	Changes in fair value of financial liabilities		(1,210)	(890)
AASB 1056.9(a)	Total revenue		102,386,525	73,962,369
	Investment expense		(6,223,120)	(6,032,155)
	Administration expenses	19	(1,097,006)	(761,598)
INT 1019.10(b)	Superannuation surcharge expense	20	(8,733)	(3,066)
AASB 1056.9(b)	Total expenses		(7,328,859)	(6,796,819)
AASB 1056.10	Net (loss)/ gain from insurance activities	11(b)	(36)	536
AASB 1056.9(e)	Operating results		95,057,630	67,166,086
AASB 1056.9(c)	Net benefits allocated to defined contribution member accounts		(72,262,045)	(53,092,874)
AASB 1056.9(d)	Net change in defined benefit member benefits		(8,394,732)	(4,182,745)
	Operating result before income tax expense		14,400,853	9,890,467
AASB 1056.9(f)	Income tax expense	12(a)	(9,392,592)	(8,850,206)
	Operating result after income tax		5,008,261	1,040,261

Statement of Changes in Member Benefits for the year ended 30 June 2017

Source Reference	Note	DC Member benefits (\$)	DB Member benefits (\$)	Total (\$)
AASB 1056.8(e)				
Opening balance as at 1 July 2015				
		462,156,774	93,397,212	555,553,986
AASB 1056.11(a)		38,960,741	8,552,358	47,513,099
AASB 1056.11(b)		2,519,975	553,165	3,073,140
AASB 1056.11(d)		5,022,296	1,102,455	6,124,751
		19,543	15,203	34,746
AASB 1056.11(c)		(6,222,107)	(1,365,828)	(7,587,936)
		40,300,448	8,857,353	49,157,801
AASB 1056.11(e)	21	(60,624,703)	(1,436,373)	(62,061,076)
AASB 1056.11(f)		(778,108)	(28,374)	(806,482)
		238,979	45,029	284,008
AASB 1056.11(i)				
		125,308	-	125,308
		12,625	12,375	25,000
AASB 1056.11(g)				
		58,853,167	-	58,853,167
		(760,293)	-	(760,293)
AASB 1056.11(h)		-	4,182,745	4,182,745
Closing balance as at 30 June 2016				
		494,524,197	105,029,967	599,554,164
Opening balance as at 1 July 2016				
		494,524,197	105,029,967	599,554,164
AASB 1056.11(a)		38,255,885	6,751,038	45,006,923
AASB 1056.11(b)		3,472,261	612,752	4,085,013
AASB 1056.11(d)		7,838,784	1,383,315	9,222,099
		16,612	2,931	19,543
AASB 1056.11(c)		(6,259,222)	(1,104,569)	(7,363,791)
		43,324,319	7,645,468	50,969,787
AASB 1056.11(e)	21	(39,134,859)	(11,014,109)	(50,148,968)
AASB 1056.11(f)		(817,264)	(29,283)	(846,547)
		17,020	-	17,020
AASB 1056.11(i)				
		118,891	-	118,891
		13,554	16,446	30,000
AASB 1056.11(g)				
		73,351,427	-	73,351,427
		(1,089,382)	-	(1,089,382)
AASB 1056.11(h)		-	8,394,732	8,394,732
Closing balance as at 30 June 2017				
		570,307,903	110,043,221	680,351,124

Statement of Changes in Equity / Reserves for the year ended 30 June 2017

Source
ReferenceAASB
1056.8(c)

	Investment reserve Note 15 (\$)	Operational risk reserve Note 16 (\$)	Defined benefit shortfall Note 6 (\$)	Total equity/ reserves (\$)
Opening balance as at 1 July 2015	1,972,672	1,000,000	(6,342,563)	(3,369,891)
Transfer (to)/from DC member account	(125,308)	(12,625)	-	(137,933)
Transfer (to)/from DB member accounts	-	(12,375)	-	(12,375)
Operating result	-	525,000	515,261	1,040,261
Closing balance as at 30 June 2016	1,847,364	1,500,000	(5,827,302)	(2,479,938)
Opening balance as at 1 July 2016	1,847,364	1,500,000	(5,827,302)	(2,479,938)
Transfer (to)/from DC member account	(118,891)	(13,554)	-	(132,445)
Transfer (to)/from DB member accounts	-	(16,446)	-	(16,446)
Operating result	-	250,000	4,758,261	5,008,261
Closing balance as at 30 June 2017	1,728,473	1,720,714	(1,069,755)	2,379,432

Statement of Cash Flows for the financial year ended 30 June 2017

Source Reference		Note	2017 (\$)	2016 (\$)
AASB1056.8(d)				
AASB 107.10, 14	Cash flows from operating activities			
	Interest received		627,838	628,019
	Dividends and trust distributions received		49,221,376	29,720,833
	Other general administration expenses		(1,097,006)	(761,598)
	Income tax paid		(9,394,578)	(8,293,029)
	Superannuation surcharge paid		(103,921)	(365,810)
	Death and disability insurance claims		129,293	172,949
	Death and disability insurance premiums		(137,908)	(166,587)
AASB 1056.AG44(c)	Insurance premiums (inward)		77,810	65,100
AASB 1056.AG44(c)	Reinsurance recoveries		22,016	22,000
AASB 1056.AG44(c)	Reinsurance premiums (outward)		(77,806)	(65,095)
	Net inflows of cash from operating activities	22	39,267,114	20,956,782
AASB 107.10, 16	Cash flows from investing activities			
	Purchase of investments		(259,052,544)	(193,741,964)
	Proceeds from sale of investment		199,436,699	118,494,315
	Net outflows of cash from investing activities		(59,615,845)	(75,247,649)
AASB 107.10, 17	Cash flows from financing activities			
	Employer contributions received		45,006,923	49,013,099
	Member contributions received		4,085,013	3,253,140
	Transfers from other superannuation funds		22,867,923	17,072,409
	Superannuation co-contributions		19,543	34,746
	Transfers to other superannuation funds		(13,645,824)	(10,947,658)
	Benefits paid		(39,241,857)	(62,011,213)
	Net inflows of cash from financing activities		19,435,728	(3,585,477)
	Net increase in cash held		(1,257,009)	(57,876,344)
	Cash at the beginning of the financial year		16,769,850	74,646,194
	Cash at the end of the financial year		15,512,841	16,769,850

Source Reference	General Guidance
AASB 1056.AG41	In determining whether a superannuation entity is acting as an insurer or an agent in respect of insurance arrangement, trustees should consider the factors listed in AASB 1056, paragraph AG 41.
AASB 1056.10, AG44	Where a superannuation entity acts in the capacity of an insurer, the income statement or notes to the financial statements shall separately present insurance premiums, claim expenses, reinsurance expenses, reinsurance recoveries, and the net result from insurance activities. Impact on other financial statements include: Statement of Financial Position: insurance contract liabilities and reinsurance assets Statement of cash flow: insurance contract cash inflows, reinsurance contract cash outflows, claim cash outflows and reinsurance recoveries cash inflows.
AASB 1056.AG43	Where a superannuation entity acts in the capacity of an agent, premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities and reinsurance assets. Impact on other financial statements include: Statement of cash flows: Premium cash inflows collected from members and premium cash outflows paid to insurers Statement of changes in member benefits: premium charged to member accounts and insurance benefits paid to members via the superannuation entity.

Notes to the Financial Statements

Source Reference

AASB 1056.8(f)

1. Basis of preparation**Statement of compliance**

AASB 101.112 The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Interpretations, the Superannuation Industry (Supervision) Act 1993 and provisions of the Trust Deed.

AASB 110.17 The financial statements were authorised for issue by the directors on [date]. For the purposes of preparing the financial statements, the Fund is a not-for-profit entity.

Use of judgments and estimates

AASB 101.125 In the application of Accounting Standards, management is required to make judgments, estimates and assumptions about fair market values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

Judgments made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

New Standards and Interpretations adopted during the year

The following new and revised Standards and Interpretations have been adopted in these financial statements. Apart from AASB 1056, their adoption has not had significant financial or disclosure impact on these financial statements but may affect the accounting for future transactions or arrangements.

New or revised requirement	Title
AASB 1056	Superannuation Entities
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

Note: Included above are accounting standards that are considered to be applicable for most superannuation entities. For complete list of Standards and amendments, see section 8.3 of *Australian financial reporting guide*, and the example disclosures included in Note 2 of the Illustrative disclosures section of the Guide. The information in the Guide is updated on a regular basis and is available at www.deloitte.com/au/models. Please consider applicability of other accounting standards not included above for your specific circumstances.

AASB 108.28

Adoption of AASB 1056 Superannuation Entities (“AASB 1056”)

The Australian Accounting Standards Board issued AASB 1056 in June 2014. The new standard replaces AAS 25 *Financial Reporting by Superannuation Plans* (“AAS 25”) and is applicable retrospectively from financial period beginning on or after 1 July 2016. The purpose of this new standard is to address deficiencies in AAS 25 and align accounting and financial reporting requirements for superannuation entities with current requirements of Australian Accounting Standards. The Fund has applied the requirements of AASB 1056 for the first time in current year.

Source Reference
AASB
1056.8(f)

In accordance with the transitional provisions of AASB 1056, the Fund has not present a statement of financial position as at the beginning of comparative period (1 July 2015). The impact of adopting AASB 1056 has been summarised as follows:

- All funds to present 5 primary financial statements (ie. Statement of financial position, Income Statement, Statement of Cash Flows, Statement of Changes in Equity/Reserves and Statement of Changes in Members benefits);
- All assets and liabilities (with the exception of members' liabilities, tax balances, goodwill, reinsurance assets and liabilities and employer sponsor receivables) are to be measured at fair value;
- Members' benefits are required to be presented as liabilities in Statement of Financial Position; and
- Funds are required to consider the nature of insurance arrangements in place and consider valuation of its reinsurance assets and liabilities where appropriate.

The adoption of AASB 1056 had the following impact on the financial statements of the Fund for the period ended 30 June 2016:

Statement of Financial Position	30 June 2016 balance as previously reported	Transition adjustment	Restated 30 June 2016
Assets			
Investments:			
Shares in listed corporations held directly	162,116,370	4,863,491	166,979,861
Units in pooled superannuation trusts	396,230,176	3,962,302	400,192,478
Units in unit trust	336,865	-	336,865
Life office policies	4,000,000	-	4,000,000
Fixed interest securities held directly	700,000	-	700,000
Investment properties	962,174	96,217	1,058,391
Reinsurance assets	-	201,866	201,866
Liabilities			
Insurance liabilities	-	11,159	11,159
Defined contributions member liabilities	-	494,524,197	494,524,197
Defined benefit member liabilities	-	105,029,967	105,029,967
Equity			
Member benefits	585,920,701	(591,748,003)	(5,827,302)
Income Statement	30 June 2016 balance as previously reported	Transition adjustment	Restated 30 June 2016
Changes in fair value of investments	33,557,260	8,922,010	42,479,270
Contributions, transfers from other superannuation entities (transferred to statement of changes in member benefits)	612,299,722	(612,299,722)	-
Benefits paid to members (transferred to statement of changes in member benefits)	(62,061,076)	62,061,076	-
Net (loss)/gain from insurance activities	-	536	536
Income tax expense:	(15,099,760)		8,850,206
Tax effect of changes operating results (due to changes above)		(1,338,382)	
Tax on contributions (transferred to statement of changes in member benefits)		7,587,936	

Source
Reference
AASB
1056.8(f)

Net operating results after income tax	536,106,807	(535,066,546)	1,040,261
Statement of Changes in Member Benefits	30 June 2016 balance as previously reported	Transition adjustment	Restated 30 June 2016
Contributions, transfers from other superannuation entities (transferred to statement of changes in member benefits)	-	612,299,722	612,299,722
Tax on contributions	-	(7,587,936)	(7,587,936)
Benefits paid to members (transferred to statement of changes in member benefits)	-	(62,061,076)	62,061,076
Death and disability benefits credited to members account	-	284,008	284,008
Insurance premiums charged to members account	-	(806,482)	(806,482)
Net benefits allocation (defined contribution)	-	58,092,874	58,092,874
Net change in defined benefit member benefits	-	4,182,745	4,182,745
Reserve transferred to /(from) members:	-	150,308	150,308
Statement of Changes in Equity/Reserves	30 June 2016 balance as previously reported	Transition adjustment	Restated 30 June 2016
Opening balances	-	3,369,891	3,369,891
Transfer (to)/from DC members	-	137,933	137,933
Transfer (to)/from DB members	-	12,375	12,375
Operating results	-	1,040,261	1,040,261
Closing balance	-	2,479,938	2,479,938
Statement of Cash Flows	30 June 2016 balance as previously reported	Transition adjustment	Restated 30 June 2016
Cash Flow from Operating Activities			
Contributions received (including transfers and co-contributions)	69,373,394	(69,373,394)	-
Benefits payment (including transfer out)	(72,958,871)	72,958,871	-
Reinsurance recoveries	-	22,000	22,000
Reinsurance premiums	-	(65,095)	(65,095)
Cash Flow from Financing Activities			
Contributions received (including transfers and co-contributions)	-	69,373,394	69,373,394
Benefits payment (including transfer out)	-	(72,958,871)	(72,958,871)

Source Reference
AASB
1056.8(f)

Apart from the above, AASB 1056 also introduces the following changes, where no financial impact has been identified for the financial period presented:

- Requirement to re-measure defined benefit liabilities at each period end;
- Additional disclosure requirements in relation to defined benefit liabilities valuations;
- Consideration to recognise employer sponsor receivable where appropriate; and
- Requirement to disaggregate financial information presentation where members from different categories are exposed to different risks and benefits.

Accounting Standards and Interpretations issued, but not yet effective

At the date of authorisation of the financial report, the following Standards and Interpretations which are expected to be relevant to the Fund were in issue but not yet effective. The directors anticipate the adoption of these Standards will have no material financial impact on the financial report of the Fund.

New or revised requirement	Title	Effective Date (annual periods beginning on or after)	30 June 2017 YE applicability
AASB 2016-1	Amendments to Australian Accounting Standards – recognition of deferred tax assets for unrealised losses	1 January 2017	Optional
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative” Amendments to AASB 107	1 January 2017	Optional
AASB 2016-4	Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities	1 January 2017	Optional
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2017	Optional
AASB 9 and the relevant amending standards	Financial Instruments	1 January 2018	Optional
AASB 15 and the relevant amending standards	Revenue from contracts with customers	1 January 2018	Optional
AASB Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2019	Optional
AASB 2017-1	Amendments to Australian Accounting Standards – Transfer of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2019	Optional
AASB 16	Leases	1 January 2019	Optional

Note: Included above are accounting standards that are considered to be applicable for most superannuation entities. For complete list of Standards and amendments, see section 8.3 of *Australian financial reporting guide*, and the example disclosures included in Note 2 of the Illustrative disclosures section of the Guide. The information in the Guide is updated on a regular

Source Reference
AASB
1056.8(f)

basis and is available at www.deloitte.com/au/models. Please consider applicability of other accounting standards not included above for your specific circumstances.

2. Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

AASB
101.112(a),
117

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented in these financial statements for the year ended 30 June 2016.

Example accounting policies

The following illustrative accounting policies are quoted by way of example only, and do not necessarily represent the only treatment which may be appropriate for the item concerned and do not cover all items that shall be considered for inclusion in the summary of significant accounting policies

(a) Cash and cash equivalents

AASB 107.6,
46

Cash and cash equivalents include deposits held at call with a bank or financial institution and highly liquid investments with short periods to maturity which are readily convertible to cash and which are subject to insignificant risk of changes in value.

(b) Financial assets 'at fair value through profit or loss' (FVTPL)

AASB 1056.13

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- It is a derivative that is not designated and effective as a hedging instrument.

AASB7 B5(e)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and AASB 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Fair values of financial assets are determined as follows:

- Listed securities, foreign securities quoted on a recognised stock exchange, derivative financial instruments and government and other fixed interest securities are stated at market quotations as at the reporting date.
- Unit trust and managed fund investments are stated at the redemption price quoted by the trust managers as at the reporting date.
- Unlisted securities are stated at the trustee's valuation based on the advice of the fund's investment managers as at the reporting date.
- Life office policies are included in the financial statements based on the present values of the policies as advised by the insurer as at the reporting date.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement are recognised in the Income Statement.

Source Reference
AASB
1056.8(f)

(c) Financial liabilities 'at fair value through profit or loss' (FVTPL)

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and AASB 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

(d) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in the Income Statement in the period in which they arise.

(e) Goods and Services Tax (GST)

INT 1031

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(f) Benefits paid and payable

The Fund recognises a benefit to be payable to a member when a valid withdrawal notice is received from the employer sponsor, and it has been approved by the Trustee in accordance with the Fund's Trust Deed. Benefits paid and payable are measured at their nominal values as prescribed by the Fund's Trust Deed.

The benefits payable represent amounts which have not been paid where a valid withdrawal notice has been received. The lag between receipt of a valid and approved withdrawal notice and the payment of the benefit is mainly attributable to the time taken for the Fund to receive payment instructions from the member.

General guidance

The above paragraph is not mandatory but is recommended where there are unusual exit clauses for a fund and should be tailored to each superannuation entity.

Source Reference
AASB
1056.8(f)

(g) Income tax

Current tax

AASB 112.12, 46 Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

AASB 112.15, 24 In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

AASB 112.47, 51 Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

AASB 112.74 Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

AASB 112.58 Current and deferred tax is recognised as an expense or benefit in the Income Statement.

(h) Investment Properties

AASB 140.75 Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value at the reporting date. Gains and losses arising from changes in the fair value of investment properties are included in the Income Statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the period in which the property is derecognised.

(i) Payables

AASB 7.21, AASB 1056.13 Accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services and are recognised at their nominal value which is equivalent to fair value.

(j) Revenue recognition

AASB 118.35(a) Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent in which it is probable that economic benefits will flow to the Fund and the amount of revenue can be reliably measured.

The following recognition criteria relates to the different items of revenue the Fund receives:

Investment revenue

Interest revenue

AASB 118.30(a) Revenue on money market and fixed interest securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimate future cash receipts through the expected life of the financial asset to that

<p>Source Reference AASB 1056.8(f)</p>	<p>asset's net carrying amount. If interest is not received at reporting date, it is reflected in the Statement of Financial Position as a receivable.</p>
<p>AASB 118.30(c)</p>	<p>Dividend revenue Revenue from dividends is recognised on the date the shares are quoted ex-dividend. If the dividend is not received at reporting date, the balance is reflected in the Statement of Financial Position as a receivable.</p>
<p>AASB 1056.13</p>	<p>Changes in fair value of investments Changes in the fair value of investments are recognised as revenue and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).</p>
<p>AASB 1056.13</p>	<p>Changes in fair value of financial liabilities Changes in the fair value of financial liabilities are recognised as revenue (or expense) and are determined as the difference between the fair value at year end or consideration paid (if settled during the year) and the fair value as at the prior year end or amount originally incurred (if the financial liabilities were incurred during the period).</p>
<p>AASB118.30(c)</p>	<p>Distributions from unit trusts Distribution income is recognised on a receivable basis on the date the unit value is quoted ex-distribution. Where the distribution is not received at reporting date, the balance is reflected in the Statement of Financial Position.</p>
<p>Int1019.10(a)</p>	<p>(k) Superannuation contributions/ (surcharge) tax The Trustee recognises amounts paid or payable in respect of the surcharge tax as an expense of the Fund. The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the Trustee and are properly payable by the Fund. All amounts paid are allocated back against the member accounts to which the surcharge relates.</p>
<p>AASB 101.138</p>	<p>3. Description of the fund DNew Superannuation Fund is both a defined contribution and defined benefit superannuation fund constituted by the Trust Deed dated 21 April 1985 (as amended). The Trustee at reporting date is DNew Superannuation Fund Pty Ltd (ABN 11 004 001 001) ('the Trustee'). The Fund is operated for the purpose of providing for employees (and their dependants or beneficiaries) of [named employer] and associated companies, lump sum benefits upon retirement, termination of service, death or disablement.</p> <p>Administration of the Fund is conducted by [administrator name]. The principal place of business of the Fund is: 123 Retirement Road SUNSHINE FAIR QLD 4231</p>
<p>AASB 1056.14, AASB 1056.23</p>	<p>4. Defined contribution member liabilities Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure defined contribution member liabilities. Unit prices are updated on [daily/week/monthly] basis for movements in investment markets. The Fund's management of the investment market risks is as disclosed within note 25.</p> <p>Defined contribution members' liabilities are fully vested as at 30 June 2017 and 30 June 2016.</p>
<p>AASB1056.14, 17, 25</p>	<p>5. Defined benefit member liabilities The Fund engages qualified actuaries on an annual basis to measure defined benefit member liabilities. The Fund has no information that would lead it to adjust the assumptions in respect to discount rate, salary adjustment rate, resignations and mortality, which are all unchanged from the previous reporting period.</p>
<p>AASB 1056.25(a)</p>	<p>The Fund uses sensitivity analysis to monitor the potential impact of key changes to key variables about which the assumptions need to be made. The Fund has identified two assumptions (being the</p>

Source Reference
AASB
1056.8(f)

discount rate and the rate of salary adjustment) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities.

The assumed discount rate has been determined by reference to the investment returns expected on the investment portfolio that reflects the opportunities reasonably available to the Fund in the investment markets. The assumed annual salary adjustment has been determined by reference to the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

AASB
1056.25(b)

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include: resignations and mortality rates.

The following are sensitivity calculations on a univariate basis for the discount rate and rate of salary adjustment assumptions for the defined benefit superannuation fund.

Key assumptions	Assumed at reporting date	Reasonably Possible Change	(Increase) / Decrease in member benefit liability (\$)
Discount rate	5%	+0.5%	1,240,000
		-0.5%	(1,320,000)
Salary adjustment rate	3%	+1.0%	(2,120,000)
		-1.0%	2,230,000

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the fund) and include benefits which members were entitled to receive had they terminated their fund membership as at the reporting date.

<u>DNew Super Fund – Defined benefit sub-plan</u>	2017 (\$)	2016 (\$)
Vested benefits as at 30 June	103,384,596	95,204,384
Net assets as at 30 June	108,974,180	99,202,665

6. Defined benefit plan that is under/(over) funded

	2017 (\$)	2016 (\$)
DNew Super Fund - Defined benefit sub-plan	1,069,041	5,827,302

AASB 1056.28, 29

Consistent with its actuary’s recommendation, the employer-sponsors of defined benefit sub-plan intend to increase their contribution for a period of three financial years to a level that is projected, based on current assumptions, to result in member liabilities being fully funded by the end of those three years.

7. Employer Sponsor Receivables

	2017 (\$)	2016 (\$)
Employer	-	-
	-	-

AASB 1056.18

General guidance

To the extent that there is a difference between a defined benefit member liability and the fair value of assets available to meet that liability AND the employer-sponsor has a legal obligation under its contractual arrangement to fund the difference, an asset relating to an employer-sponsor receivable shall be recognised subject to meeting the definition and recognition criteria for an asset in the Framework for the Preparation and Presentation of Financial Statements.

Source Reference
AASB
1056.8(f)

	2017 (\$)	2016 (\$)
Contributions receivable from employer-sponsor for defined benefit members	[-]	[-]
	-	-

AASB 1056.26, 27

AASB 1056.28, 29

The Fund has a contractual arrangement to meet the shortfall when the defined benefit member liabilities exceed the fair value of assets. The employer-sponsor of the defined benefit member liabilities is DNew Limited. The employer-sponsor will increase its contribution for a period of three financial years to a level that is projected, based on current assumptions, to result in member liabilities being fully funded by the end of those three years. If the Fund results in a surplus whereby the fair value of assets exceed the defined member liabilities, this surplus will be retained in the Fund.

8. Investment Properties

	2017 (\$)	2016 (\$)
Balance at beginning of financial year	1,058,391	1,013,876
Additions from subsequent expenditure	-	-
Changes in fair value	39,290	44,515
Disposals	-	-
Balance at end of financial year	1,097,681	1,058,391

AASB
140.75(e)
AASB
13.91(a),
93(d)

The fair value of the Fund's investment property as at 30 June 2017 and 30 June 2016 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs R & P Trent, independent valuers not related to the Fund. Messrs R & P Trent are members of the Institute of Valuers of Australia, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Fair values were determined using the capitalisation of net rental income and the discounted cash flow method with regard to recent market transactions for similar properties in the same location as the Fund's investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been not change to the valuation technique during the year.

General guidance

Fair value hierarchy

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. The above categorisations are for illustrative purpose only.

In addition, AASB 13.97 requires the following disclosures:

- At which level fair value measurement is categorised (i.e. Level 1, 2 or 3);
- Where the fair value measurement is categorised within Level 2 or Level 3, a description of the valuation technique(s) and the inputs used in the fair value measurement; and
- The highest and best use of the properties (if different from their current use) and the reasons why the properties are being used in a manner that is different from their highest and best use.

AASB 13.97

Fair value disclosures for investment properties measured using the cost model

For investment properties that are measured using the cost model, AASB 140.79(e) requires the fair value of the properties to be disclosed in the notes to the financial statements. In that case, the fair value of the properties (for disclosure purpose) should be measured in accordance with AASB 13. nd

Source
Reference
AASB
1056.8(f)

9. Other financial assets

	2017 (\$)	2016 (\$)
GST receivable (i)	325	400
Group life insurance claim receivable (i)	13,221	11,327
Foreign currency forward contracts	3,854	4,263
Cross currency interest rate swaps	700	300
Group life premium refund receivable (i)	200	-
	<u>18,300</u>	<u>16,290</u>

AASB 7.7 There are no significant terms or conditions applicable to the above receivables. All amounts are expected to be recoverable in whole within the next 12 months. No interest is charged on these receivables

AASB 7.37 None of these financial assets are either past due or impaired, and no allowances have been made for the recoverability of these assets

10. Other debtors and prepayments

	2017 (\$)	2016 (\$)
Other debtors	3,705,793	3,836,002
Group life insurance prepayment	1,840,395	1,331,041
	<u>5,546,188</u>	<u>5,167,043</u>

11. Insurance contract activities

	2017 (\$)	2016 (\$)
(a) Total revenue		
Superannuation activities revenue	2,709,595	2,018,684
Insurance contract revenue	77,810	65,100
	<u>2,787,405</u>	<u>2,083,784</u>

	(b) Net results from insurance activities		
AASB 1056.10	Insurance contract revenue	77,810	65,100
	Less: outwards reinsurance premiums	(77,806)	(65,095)
	Net premium revenue	4	5
	Reinsurance recoveries revenues	23,219	22,510
	Insurance contract claims expenses	(22,833)	(22,000)
	Movement in insurance liabilities	(1,059)	(500)
	Movement in reinsurance assets	633	521
	Net (loss)/ gain from insurance activities	<u>(36)</u>	<u>536</u>

AASB 1056.33(b) **(c) Insurance contracts**
Members can elect to take out term life cover with the Fund up to a maximum of \$500,000 per member. The Fund uses the services of an actuary to determine its insurance contract liabilities, which bases the calculations on relevant industry-focused mortality tables and the Fund's own claims experience. The Fund has reinsured all of its direct insurance risks with APAC Reinsurance (Australia) Ltd.

Source Reference
AASB
1056.8(f)

Insurance contract liabilities and reinsurance contract assets have been recognised and measured using the approach to measuring defined benefit member liabilities as required by AASB 1056. This is the present value based on a portfolio of investments estimated that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet the accrued benefits as at that date when they are expected to fall due.

AASB 1056.34

(d) Impairment assessment of insurance contract assets

The reinsurance asset is impaired if, and only if there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset, that the Fund will not receive amounts due to it under the terms of the contract, and that the event has a reliably measureable impact on the amounts that the Fund will receive from the reinsurer. There has been no event during the financial year that has impacted these reinsurance assets of the Fund.

AASB 1056.35, 36(a)

(e) Judgments, estimates and assumptions on insurance contracts

The insurance contract liabilities are computed by a qualified actuary. The methodology used in measuring these insurance contract liabilities takes into account the risks and uncertainties of the future cash flows relating to them.

The key assumptions used in measuring insurance contract liabilities are as presented:
Interest rates – allowance for future interest rates of 5.75% (2016: 4.75%) is assumed. Policy liabilities are determined on the basis of using risk-free discount rates based on government bond rates and consideration of the term of the insurance liabilities.

- 1) Inflation rates – allowance for future inflation of 3.75% (2016: 3.50%) is assumed.
- 2) Mortality and morbidity – Mortality and morbidity tables are derived from the IAS95-97 Insured Lives Tables for Australia with allowance for subsequent improvements in mortality, subdivided into smoker and non-smoker classes and adjusted to the classes of life insurance written.
- 3) Claims experience and delays – significant delays are incurred between the date of the event resulting in a claim and the claim being reported to the fund. The insurance policy liabilities estimates the costs of these claims based on expected level of claims and the average delay in reporting. The following delay assumptions are assumed:
 - Accidental death 9.0 months (2016: 9.0 months)
 - Death 4.0 months (2016: 4.0 months)
 - Trauma 9.0 months (2016: 10.0 months)

AASB 1056.35, 36(b)

The key factors or uncertainties that impact those key assumptions are as presented:

- 1) Interest rates – a reduction in interest rates would result in an increase in policy liabilities and an increase in the value of assets backing those policy liabilities. Note that these insurance contract liabilities have been reinsured, therefore the impact on overall profit and net assets available for member benefits would be minimal to nil.
- 2) Inflation rates - An increase in inflation rates would result in an increase in policy liabilities and therefore a reduction in profit and net assets available for member benefits.
- 3) Mortality and morbidity experience of life insurance products (covers) – higher the mortality and or morbidity rates would lead to increased claim costs/ policy liabilities and reduced profit and net assets available for member benefits.
- 4) Claims experience and delays in notification of claim events may increase costs of these claims expenses therefore assumptions are factored in based on prior history and expected future occurrences.

AASB
1056.36(c)

With respect to reinsurance assets, these are computed using the method disclosed in note 11(c) above. There are minimal to nil uncertainties with the insurance risk as they have been reinsured with APAC Reinsurance (Australia) Ltd. The recoverability of such reinsurance assets is not considered to be impaired by any counterparty or credit risk.

12. Income Tax

Income tax in the Income Statement represents the tax on the benefits accrued as a result of operations before income tax, adjusted for non-taxable and non-deductible amounts.

The tax effect of temporary differences, which occur where items are allowed for income tax purposes in a period different from that in which they are recognised in the accounts, is included in deferred tax liabilities and deferred tax assets as applicable at current taxation rates.

Source Reference		2017 (\$)	2016 (\$)
AASB 1056.8(f)			
AASB112.79	(a) Income tax recognised in profit or loss		
AASB112.80(a)	Tax expense comprises:		
AASB112.80(a)	Current tax expense	(2,433,434)	(6,890,459)
AASB112.80(b)	Adjustments recognised in the current year in relation to the current tax of prior years	-	-
AASB112.80(c)	Deferred tax expense relating to the origination and reversal of temporary differences	(6,959,158)	(1,959,747)
AASB112.80(d)	Effect of changes in tax rates and laws	-	-
AASB112.80(e)	Benefit arising from the previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce:	-	-
AASB112.80(f)	• Current tax expense	-	-
AASB112.80(f)	• Deferred tax expense	-	-
AASB112.80(g)	Write-downs / (reversal of previous write downs) of deferred tax assets	-	-
AASB 112.80(h)	Tax expense associated with changes in accounting policies that cannot be accounted for retrospectively		
	Total tax expense	(9,392,592)	(8,850,206)
AASB 112.81(c)	The prima facie income tax expense on pre-tax changes in net assets reconciles to the income tax expense in the financial statements as follows:		
		2017 (\$)	2016 (\$)
	Operating result before income tax	14,400,853	9,890,467
	Income tax expense calculated at 15% (2016: 15%)	2,160,128	1,483,570
	Benefits allocated to DC members during the year	12,752,126	9,369,331
	Change in DB members benefit	1,259,210	627,412
	Non-deductible surcharge expenses	8,733	3,066
	Non-deductible general administration expenses	5,485	3,808
	Unused tax losses and tax offsets not recognised as deferred tax assets	-	-
	Non-taxable group life proceeds	(36)	536
	Non-taxable member contributions and transfers-in	(181,910)	(134,526)
	Non-deductible benefit payment	270,002	134,526
	CGT concession	(5,877,913)	(1,541,605)
	Imputation credits and other tax credits	(857,860)	(879,854)
	Net exempt pension income	(145,372)	(216,058)
AASB 112.80(b)	Adjustments in the current year in relation to the current tax of prior years	-	-
	Other [describe]	-	-
		9,392,592	8,850,206
AASB 112.81(c)	The tax rate used in the above reconciliation is the superannuation tax rate of 15% payable by Australian superannuation funds on taxable profits under Australian tax law. There has been no change in the superannuation tax rate when compared with the previous financial year.		

Source Reference
AASB
1056.8(f)

	2017 (\$)	2016 (\$)
(b) Income tax payables		
Current tax liabilities are attributable to the following:		
Income tax payable	935,069	937,055
Other [describe]	-	-
	935,069	937,055
(c) Recognised deferred tax assets and liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Deferred tax assets :		
Tax losses – revenue	-	-
Tax losses – capital	6,118,469	7,578,855
Temporary differences	-	-
Other [describe]	-	-
	6,118,469	7,578,855
Deferred tax liabilities:		
Temporary differences	(11,532,474)	(4,573,316)
	(5,414,005)	3,005,539

General guidance

The following illustrative disclosure is considered 'best practice' and in some respects has disclosures in excess of those required by Accounting Standard AASB 112 Income Taxes. The only requirements for a breakdown by type of temporary difference, i.e. the first column, are the opening and closing balances, and the amount charged to income. The other columns could be amalgamated or excluded so long as the other disclosures required by AASB 112 are made elsewhere in the financial statements in aggregate.

AASB
112.81(g)

Taxable and deductible temporary differences arise from the following:

2017	Opening balance \$	Charged to income \$	Closing balance \$
Gross deferred tax liabilities:			
Unrealised taxable capital gains	(4,289,315)	(7,018,925)	(11,308,240)
Contributions receivable	(284,651)	51,601	(233,050)
Other	-	-	-
	(4,573,966)	(6,967,324)	(11,541,290)
Gross deferred tax assets:			
Accounts payable	650	8,166	8,816
Other	-	-	-
	650	8,166	8,816
Net deferred tax liabilities	(4,573,316)	(6,959,158)	(11,532,474)

Source
Reference
AASB
1056.8(f)

2016	Opening balance	Charged to income	Closing balance
	\$	\$	\$
Gross deferred tax liabilities:			
Unrealised taxable capital gains	(2,584,764)	(1,704,551)	(4,289,315)
Contributions receivable	(30,161)	(254,490)	(284,651)
Other	-	-	-
	<u>(2,614,925)</u>	<u>(1,959,041)</u>	<u>(4,573,966)</u>
Gross deferred tax assets:			
Accounts payable	1,356	(706)	650
Other	-	-	-
	<u>1,356</u>	<u>(706)</u>	<u>650</u>
Net deferred tax liabilities	<u>(2,613,569)</u>	<u>(1,959,747)</u>	<u>(4,573,316)</u>

AASB
112.81(e)

	2017 (\$)	2016 (\$)
Unrecognised deferred tax assets		
The following deferred tax assets have not been brought to account as assets:		
Tax losses – revenue	-	-
Unused tax credits (expires [date])	5,875	5,725
Temporary differences	-	-
	<u>-</u>	<u>-</u>

13. Accounts payable

	2017 (\$)	2016 (\$)
Group life insurance premium payable	-	-
Administration charges payable	-	-
Audit fees payable	6,204	4,332
Actuarial fees payable	-	-
Other general administration expenses payable	52,570	-
	<u>58,774</u>	<u>4,332</u>

14. Other financial liabilities

	2017 (\$)	2016 (\$)
At fair value:		
Foreign currency forward contracts	1,500	690
Interest rate swaps	600	200
Cross currency interest rate swaps	-	-
Other [describe]	-	-
	<u>2,100</u>	<u>890</u>

15. Investment reserve

The investment reserve comprises the difference between the cumulative amount of investment income (net of investment expenses) allocated to members' accounts and the cumulative investment income (net of investment expenses) earned.

Source
Reference
AASB
1056.8(f)

16. Operational risk reserve

The Trustee has assessed an operational risk reserve of approximately 0.25% of funds under management as appropriate for the Fund in respect of both defined contribution and defined benefit member interests.

	2017 (\$)	2016 (\$)
Operational risk reserve		
Defined contribution membership	1,216,321	1,054,875
Defined benefit membership	503,679	445,125
Total	1,720,000	1,500,000

The Trustee has established operational risk reserve in financial year 30 June 2016 in response to the operational risk financial requirement introduced into the Superannuation Industry (Supervision) Act 1993 from 1 July 2013. The reserve is operated in accordance with the Operational Risk Reserve Policy. The purpose of the reserve is to provide funding for incidents where material losses may arise from operational risk (as opposed to investment risk) relating to the Fund. The level of reserve is determined by the Board based on an assessment of the risks faced by the Fund.

17. Interest revenue

AASB 7.20(b)

	2017 (\$)	2016 (\$)
Bank term deposits	592,838	593,019
Fixed interest securities	35,000	35,000
	627,838	628,019

18. Changes in fair value of investments

AASB 1056.22

	2017 (\$)	2016 (\$)
Investments held at reporting date:		
Shares in listed corporations held directly	(8,557,010)	(9,614,431)
Units in pooled superannuation trusts	6,028,943	4,684,016
Investment properties	1,162	120,800
Units in unit trusts	(17,524)	(116,605)
	(2,544,429)	(4,926,220)
Investments realised during the reporting period:		
Shares in listed corporations held directly	25,532,636	1,502,994
Units in pooled superannuation trusts	37,048,832	45,264,372
Investment properties	210,081	170,380
Units in unit trusts	740,836	467,744
	63,532,385	47,405,490
	60,987,956	42,479,270

Source Reference
AASB
1056.8(f)

19. General administration expenses

AASB 1056.22	2017 (\$)	2016 (\$)
Group life insurance premiums	199,285	209,284
Administration charges	542,172	304,929
Legal fees	102,045	50,000
Audit fees	200,000	150,000
Consulting fees	50,000	45,000
Sundry expenses	3,504	2,385
	<u>1,097,006</u>	<u>761,598</u>

Total fees charged to members' benefits arising from trust and other fiduciary activities that result in the holding and investing of assets on behalf of individuals during 2017 financial year was \$211,404 (2016: \$109,800).

20. Superannuation surcharge

INT
1019.10(a),
10(c), 10(d)

Under the Superannuation Contributions Tax (Assessment and Collection) Act 1997, the holder of surchargeable contributions for the financial year is liable to pay the superannuation contributions surcharge. The surcharge is levied on surchargeable contributions depending on the individual member's adjusted taxable income. The Fund has recognised the surcharge as a liability when the assessment (including advance instalment) is received from the Australian Taxation Office. No assessed surcharge remains unpaid at year end. The surcharge is no longer levied on surchargeable contributions made after 1 July 2005, however assessments relating to the period prior to this date continue to be received.

No additional superannuation contributions surcharge liability has been recognised at year end as the Trustee considers that it cannot be reliably measured. There is insufficient information to provide a reliable indication of the future surcharge expense at year end due to lack of various inputs such as past assessment history, member taxable income and the turnover of members, which vary from year to year.

21. Benefits paid and payable

AASB 1056.21	2017 (\$)	2016 (\$)
Resignations	4,678,359	3,268,254
Retirements – early	-	-
Retrenchments	1,090,421	3,978,531
Death	31,143,409	35,429,672
Disablement	8,298,304	10,298,410
Transfers to other funds	4,938,475	9,086,209
	<u>50,148,968</u>	<u>62,061,076</u>

Source Reference
AASB
1056.8(f)

22. Notes to cash flow statement

AASB 1054.16 Reconciliation of net inflows of cash from operating activities to operating result after income tax.		2017 (\$)	2016 (\$)
	Operating result after income tax	5,008,261	1,040,261
	Net change in DB member accounts	8,394,732	4,182,745
	Net change in DC member accounts	72,262,045	53,092,874
	Increase in fair value of investments	(60,987,956)	(42,479,270)
	Direct investment fees	6,223,120	6,032,155
	(Increase)/decrease in other financial assets	(2,101)	1,145
	(Increase)/decrease in other debtors and prepayments	(723,152)	495,964
	Decrease in reinsurance assets	165,843	(15,757)
	Increase/(decrease) in benefits payable	106,998	(49,863)
	Increase /(decrease) in other accounts payable	54,442	(2,150)
	Increase in other financial liabilities	1,210	(694)
	Increase/(decrease) in provision for income tax	(1,986)	(1,015,973)
	Increase in provision for deferred income tax	8,419,544	1,571,004
	Net inflows from of cash from operating activities	38,923,108	22,854,457

General Guidance

AASB 107.48 Fund shall disclose, together with commentary, the amount of significant cash and cash equivalent balances held by the fund that are not available for use.

23. Key management personnel

The following were key management personnel of the Fund during the financial year. The positions reflected below are positions held by the directors in DNew Superannuation Fund Pty Ltd, the Trustee of the Fund:

Non-executive directors	Executive directors
C.J Chambers (Chairperson)	P.H. Taylor (Chief Executive Officer)
F.R. Ridley (Non-executive)	H. Jones (Chief Financial Officer)
B.M. Stavrinidis (Non-executive)	
S.M Saunders (Non-executive), appointed 1 February 2017 and resigned 30 June 2017	
L.A Lochert (Non-executive), resigned 31 July 2016	

General guidance

AASB 101.36 Names of key management personnel are not required to be disclosed as DNew Superannuation Fund is not a disclosing entity. However names of key management personnel have been disclosed in this illustrative financial report as a matter of best practice.

The key management personnel compensation in relation to services to the Fund are as follows:

AASB 124.16		2017 (\$)	2016 (\$)
	Short-term employee benefits	1,413,570	1,329,945
	Post-employment benefits	81,390	76,578
	Other long-term employee benefits	82,940	78,567

Source Reference
AASB
1056.8(f)

Termination benefits	139,263	57,500
	1,717,163	1,542,590

24. Remuneration of auditors

	2017 (\$)	2016 (\$)
AASB 1054.10, 11		
Audit services		
Audit or review of financial statements	137,500	99,000
Other regulatory audit services:		
Audit and review of regulatory compliance	30,000	25,000
Audit and review of the Australian financial Services License	10,000	10,000
Audit and review of APRA return	7,500	5,000
Other services		
Preparation of the tax return	15,000	11,000
Other non-audit services [describe]	-	-
	200,000	150,000

The auditor of DNew Superannuation Fund is Deloitte Touche Tohmatsu.

25. Financial instruments

AASB 7.6, 34(a)
General guidance
When disclosure by class of financial instrument is required by AASB 7, the fund shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the Statement of Financial Position.

The following illustrations are quoted by way of example only, and do not necessarily represent the only disclosures which may be appropriate for particular financial instruments and do not cover all financial instruments that may be used in practice. The summary of quantitative disclosures for each type of risk arising from financial instruments should be based on the information provided internally to key management personnel.

(a) Financial instruments management

The investments of the Fund (other than cash held for meeting daily administrative and benefit expenses), are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets allocated for management in accordance with the terms of a written investment management agreement. The Trustee has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Trustee's investment strategy.

ABC Custodian acts as master custodian on behalf of the Trustee and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

(b) Significant accounting policies

AASB 7.21
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

(c) Capital risk management

AASB 101.134, 135
The RSE license of the Trustee of the Fund required the Trustee to maintain a balance of at least \$100,000 at all times in an administration reserve account, until the operational risk reserve (ORFR) target was met. The operational risk reserve target amount of cash and cash equivalents was met on 1 July 2016 and the RSE administration reserve was removed on this date. The purpose of this operational risk reserve is to provide funding for incidents where material losses may

Source Reference
AASB
1056.8(f)

arise from operational risk (as opposed to investment risk) relating to the Fund. The level of reserve is determined by the Board based on an assessment of the risks faced by the Fund.

AASB
101.135(a)(ii)

General guidance

When a fund is subject to externally imposed capital requirements, it should disclose the nature of those requirements and how those requirements are incorporated into the management of capital.

When the fund has not complied with such externally imposed capital requirements, it shall disclose the consequences of such non-compliance.

AASB
101.135(e)

Where the Fund's ORFR target was not met during the year, Fund shall disclose:

- Original RSE license requirement as imposed by APRA; and
- The Fund's strategy in relation to ORFR requirement, and target date when the ORFR target is expected to be met.

(d) Financial risk management objectives

AASB 7.31

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including currency risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The fund's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Fund's financial performance. These policies may include the use of certain financial derivative instruments.

It is ultimately the responsibility of the Trustee to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the Trustee has the function of overseeing the establishment and maintenance of risk-based systems and controls for the fund. The trustee has developed, implemented and maintains a Risk Management Framework ("RMF").

The RMF identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the fund. Annually, the Trustee certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to ensure compliance with legislative and prudential requirements and that the Trustee has satisfied itself as to the compliance with the RMF.

AASB 7.31
AASB 7.33

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the fund. The Trustee of the fund has adopted the policy of spreading the aggregate value of transactions concluded amongst approved counterparties with appropriate credit qualities, as a means of mitigating the risk of financial loss.

AASB 7.36(c)

The Fund's exposure and the credit ratings of its counterparties are continuously monitored by the trustee.

Credit risk arising on investments is mitigated by investing primarily in rated instruments or instruments issued by rated counterparties of credit ratings of at least 'AA' or better as determined by Standard and Poor's. Credit risk associated with contributions receivable and other receivables is considered minimal. The employer sponsor is a public listed fund.

AASB 7.36(a)

The Fund does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The table below shows the maximum exposure to credit risk at the reporting date. It is the opinion of the Trustee that the carrying amounts of these financial assets represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk to counterparties. No individual investment exceeds 5% of net assets at either 30 June 2017 or 30 June 2016.

Source Reference
AASB
1056.8(f)

AASB 7.6

	2017 (\$)	2016 (\$)
Cash and cash equivalents	15,512,841	16,769,850
Derivative financial assets (i)	4,554	4,563
Contributions receivable	1,553,668	1,897,675
Shares in listed corporations held directly	151,943,977	166,979,861
Units in pooled superannuation trusts	510,378,477	400,192,478
Fixed interest securities held directly	700,000	700,000
Life office policies	4,000,000	4,000,000
Units in unit trusts	425,695	336,865
Other financial assets	18,300	16,290
Other debtors and prepayments	3,992,520	3,269,368
	688,525,478	594,162,387

Comprise net settled foreign currency forward contracts, interest rate swaps and currency swap.

(f) Liquidity risk

AASB 7.33,
39(b)

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The Fund allows members to withdraw benefits and it is therefore exposed to the liquidity risk of meeting member's withdrawals at any time. The Fund's listed securities and unit trust investments are considered to be readily realisable. The Fund's financial instruments include investments in unlisted investments, private equity and direct property, which are not traded in an organised market and which generally may be illiquid. As a result, there is a risk that, the fund may not be able to liquidate all of these investments at their fair value in order to meet its liquidity requirements.

AASB
1056.25(d)

The Fund's liquidity risk exposure is managed in accordance with the Fund's investment strategy. The Fund has a high level of net inward cash flows (through new contributions) which provides capacity to manage liquidity risk. The Fund also manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As a further risk mitigation strategy, it is the Trustee's policy that the Fund cannot have an exposure of less than 50% of assets invested in liquid asset classes at any one point in time. The Fund's overall strategy to liquidity risk management remains unchanged from 2016.

AASB
7.39(a),(b)

The following tables summaries the maturity profile of the fund's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the fund can be required to pay. The tables include both interest and principal cash flows.

Source Reference
AASB
1056.8(f)

2017	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	Total \$
Accrued benefits	680,351,124	-	-	-	680,351,124
Other					
Benefits payable	507,519	-	-	-	507,519
Accounts payable	58,774	-	-	-	58,774
Net settled derivatives:					
Foreign currency forwards	2,150	-	-	-	2,150
Interest rate swaps	300	320	-	-	620
Gross settled derivatives:					
Cross currency interest rate swaps:					
(Inflow)	(1,230)	-	-	-	(1,230)
Outflow	500	-	-	-	500
	<u>680,919,137</u>	<u>320</u>	<u>-</u>	<u>-</u>	<u>680,919,457</u>
2016	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	Total \$
Accrued benefits	599,554,164	-	-	-	599,554,164
Other					
Benefits payable	400,521	-	-	-	400,521
Accounts payable	4,332	-	-	-	4,332
Net settled derivatives:					
Foreign currency forwards	700	-	-	-	700
Interest rate swaps	150	55	-	-	205
Gross settled derivatives:					
Cross currency interest rate swaps:					
(Inflow)	(562)	-	-	-	(562)
Outflow	250	-	-	-	250
	<u>599,959,555</u>	<u>55</u>	<u>-</u>	<u>-</u>	<u>599,959,610</u>

The Fund has no significant concentration of liquidity risk.

AASB 7.34(b)
AASB 7.33

(g) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Fund's policies and procedures put in place to mitigate the fund's exposure to market risk are detailed in the Trustee's investment policies and the RMF. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

Source Reference

AASB

1056.8(f)

AASB 7.33, 34

Interest rate risk management

The Fund's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the Fund to cash flow risk, whereas fixed interest rate instruments expose the fund to fair value interest rate risk. The Fund's Trustee monitors its exposures to interest rate risk.

The tables below have been drawn up based on the expected maturities of the financial assets including interest that will be earned on those assets except where the Fund anticipates that the cash flow will occur in a different period.

AASB 7.34

	2017 w/a interest rate %	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	Total \$
Non-interest bearing (i):						
Cash on hand	-	1,000	-	-	-	1,000
Contributions receivable	-	1,553,668	-	-	-	1,553,668
Other debtors and prepayments	-	3,992,520	-	-	-	3,992,520
Variable interest rate instruments:						
Cash at bank	5.80	15,511,841	-	-	-	15,511,841
Fixed interest securities:						
Other fixed int. securities	6.70	100,000	300,000	50,000	250,000	700,000
Life office policies	6.10	3,000,000	100,000	500,000	400,000	4,000,000

(i) Shares in listed corporations, units in unit trusts and pooled superannuation trusts and derivative financial assets have been excluded from this analysis, as they are either exposed to market risks other than interest or in case of derivatives have been disclosed separately below.

AASB 7.34

	2016 w/a interest rate %	Less than 3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$	Total \$
Non-interest bearing (i):						
Cash on hand	-	1,000	-	-	-	1,000
Contributions receivable	-	1,897,675	-	-	-	1,897,675
Other debtors and prepayments	-	3,269,368	-	-	-	3,268,368
Variable interest rate instruments:						
Cash at bank	5.75	16,768,850	-	-	-	16,768,850
Fixed interest securities:						
Other fixed int. securities	6.10	-	100,000	300,000	300,000	700,000
Life office policies	6.00	-	3,000,000	100,000	900,000	4,000,000

(i) Shares in listed corporations, units in unit trusts and pooled superannuation trusts and derivative financial assets have been excluded from this analysis, as they are either exposed to market risks other than interest or in case of derivatives have been disclosed separately below.

Source Reference
AASB
1056.8(f)

Interest rate swaps contracts

AASB 7.34

Under interest rate swap contracts, the Trustee agrees to exchange fixed for floating interest amounts at future dates. Such contracts enable the Fund to mitigate the risk of adverse movements in interest rates.

The following table details the interest rate swaps outstanding as at the reporting date:

Outstanding contracts	Avg. interest rate		Notional amount		Fair value	
	2017	2016	2017	2016	2017	2016
			AUD\$	AUD\$	AUD\$	AUD\$
Less than 1 year	5.7%	5.5%	10,000	5,000	(600)	(200)

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to the Trustee and represents the Trustee's assessment of the possible change in interest rates.

The following table illustrates the effect on net assets and changes in net assets from possible changes in market risk that were reasonably possible based on the risk the fund was exposed to at reporting date:

AASB 7.40(a)

	Change in variable +/-	Effect on			
		Changes in Net Assets		Net assets available to pay benefits	
		2017 \$	2016 \$	2017 \$	2016 \$
Interest rate risk	+50bps	(23,728)	(24,820)	(23,728)	(24,820)
Interest rate risk	-50bps	23,728	24,820	23,728	24,820

The Fund's sensitivity to interest rates has decreased during the current period mainly due to the reduction in fixed rate investments with long maturities which expose the Fund to fair value interest rate risk.

AASB 7.33, 34

Foreign currency risk management

AASB 7.33(a)

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates.

AASB 7.33, 34(c)

The fund undertakes certain transactions denominated in foreign currencies, hence is exposed to the effects of exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters. This exchange rate exposure is managed in line with the trustee's investment policies and Risk Management Framework. The Fund's overall strategy in foreign currency risk management remains unchanged from 2016.

AASB 7.33, 34

Where a superannuation fund has investments in forward foreign exchange contracts additional disclosures may be required to satisfy the requirements of the standard.

Foreign currency forward contracts

It is the policy of the Trustee to enter into forward foreign exchange contracts to cover 70% to 80% (2016: 70% to 80%) of the foreign currency exposure generated.

Source Reference
AASB
1056.8(f)

The following table details the foreign currency forward contracts outstanding as at the reporting date:

Outstanding contracts	Avg. exchange rate		Foreign currency		Notional amount		Fair value	
	2017	2016	2017	2016	2017	2016	2017	2016
Buy U.S. Dollars			FC\$	FC\$	AUD\$	AUD\$	AUD\$	AUD\$
Less than 2 months	1.042	1.031	24,930	20,100	23,925	19,496	2,300	1,908
2 to 3 months	1.015	1.012	19,740	19,580	19,448	19,348	(2,100)	1,875
Sell U.S. Dollars								
Less than 2 months	1.022	1.042	9,820	10,280	9,609	9,866	975	(690)
2 to 3 months	-	-	-	-	-	-	-	-
Sell Japanese Yen								
Less than 2 months	92.20	82.02	128,500	97,800	1,394	1,192	579	480
2 to 3 months	-	-	-	-	-	-	-	-
							<u>1,754</u>	<u>3,573</u>
Other financial assets (note 9)							3,854	4,263
Other financial liabilities (note 14)							(2,100)	(690)
Total							<u>1,754</u>	<u>3,573</u>

Cross currency interest rate swaps

Under currency swap contracts, the Trustee agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the Fund to mitigate the risk of adverse movements in foreign exchange rates.

The following table details the currency swaps outstanding as at the reporting date:

Outstanding contracts	Avg. interest rate		Avg. exchange rate		Notional Amount		Fair value	
	2017	2016	2017	2016	2017	2016	2017	2016
Pay U.S. Dollars / Receive AUD					AUD\$	AUD\$	AUD\$	AUD\$
Less than 1 year	5.4%	6.0%	1.031	0.988	50,000	40,000	700	300

AASB 7.34(a)

The Fund's total exposure to fluctuations in foreign currency exchange at the reporting date was as follows (excluding derivative contracts):

	Liabilities Fair Value		Assets Fair Value	
	2017 (\$)	2016 (\$)	2017 (\$)	2016 (\$)
United States dollars (USD)	-	-	474,705	661,606
Japanese Yen (JPY)	-	-	175,500	130,400

Source Reference
AASB
1056.8(f)

Foreign currency sensitivity

AASB 7.40(b) The following table details the fund’s sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to the Trustee and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in net assets available to pay benefits and liability for accrued benefits where the Australian Dollar weakens against the respective currency. For a strengthening of the Australian dollar against the respective currency there would be an equal and opposite impact on the increase in net assets and on the net assets available to pay benefits, and the balances below would be negative.

AASB 7.40(a)

	USD impact		JPY impact	
	2017 (\$)	2016 (\$)	2017 (\$)	2016 (\$)
Increase in net assets	49,500	71,565	150	125
Net assets available to pay benefits	49,500	71,565	150	125

The Fund’s sensitivity to foreign currency risk has decreased during the current period mainly due to the decrease in foreign currency investments.

Other market risks

Other market risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund has investments in unit trusts and pooled superannuation trusts which exposes it to price risk. In addition the Fund holds equity instruments which expose it to equity price risk.

As the majority of the Fund’s financial instruments are carried at fair value with changes in fair value recognised in the Income Statement, all changes in market conditions will directly affect net investment income.

Price risk is mitigated by the Fund’s Investment Manager by constructing a diversified portfolio of instruments traded on various markets.

The following table illustrates the effect on changes in net assets and net assets available to pay benefits from possible changes in market risk that were reasonably possible based on the risk the fund was exposed to at reporting date. For a negative change in the variable there would be an equal and opposite impact on the increase in net assets and on the net assets available to pay benefits, and the balances below would be negative:

AASB 7.40(a)

	Effect on				
	Change in variable	Increase in net assets		Net assets available to pay benefits	
	+/-	2017 \$	2016 \$	2017 \$	2016 \$
Price risk (unit trusts)	10%	121,048	89,812	121,048	89,812
Equity price risk					
- Australian	10%	94,278	90,775	94,278	90,775
- European	10%	-	-	-	-

The Fund’s sensitivity to price risk has increased during the current period mainly due to the increase in unit trust and equity investments.

Source Reference

AASB
1056.8(f)

AASB 7.27B(a)

(i) Fair value measurements recognised in the Statement of Financial Position

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This note provides information about how the Fund determines fair values of various financial assets and financial liabilities. Some of the Fund's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

AASB 13.19(a)
(b), (d), (g)
AASB
13.93(h)(i)
AASB
13.B64(f)(iii),
(g)
AASB
13.B67(b)
AASB
13.IE65(e)
2012:
AASB7.27

Financial assets/ financial liabilities	Fair value as at 30/06/2017	Fair value as at 30/06/2016	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant un-observable input(s)	Relationship of un-observable inputs to fair value
Foreign currency forward contracts	38,544	4,263	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.		
Interest rate swaps	700	300	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of		

Source Reference
AASB
1056.8(f)

				various counterparties.		
Fixed interest securities	700,000	700,000	Level 1	Quoted bid prices in an active market.		
Shares in listed corporations	151,943,977	166,979,861	Level 1	Quoted bid prices in an active market.		
Units in pooled superannuation trusts	510,378,477	400,192,478	Level 1	Valuation based on the advice of the Fund's investment managers as at the reporting date.		
Life office policies	4,000,000	4,000,000	Level 1	Present values of the policies as advised by the insurer as at the reporting date.		
Unit trusts	424,495	336,865	Level 1	Stated at the redemption price quoted by the trust managers as at the reporting date.		
Investment properties	1,097,681	1,058,391	Level 3	Discounted cash flow of the properties' expected income over a 10 year period based on certain assumptions. Provision is made for leasing up periods upon the expiry of the various leases throughout the 10 years.	The expected rental income and terminal values of the property is based on the valuer's experience and knowledge of the market.	The higher the rental income and terminal value, the higher the fair value.

There were no transfers between Level 1 and 2 in the period.

General guidance

For financial assets and financial liabilities whose recurring fair value measurements are categorised within Level 3, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change the fair value determined significantly, an entity should state that fact and disclose the effect of these changes. The entity should also disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated.

The following table shows the sensitivity of fair values to reasonably possible changes to assumptions as at 30 June 2017:

Source Reference
AASB
1056.8(f)

	Changes in assumptions +/-	Reflected in Income Statement	
		Favourable change 2017 \$	Unfavourable change 2017 \$
Investment Properties	10%	94,399	(86,436)

The following table shows the sensitivity of fair values to reasonably possible changes to assumptions as at 30 June 2016:

	Changes in assumptions +/-	Reflected in Income Statement	
		Favourable change 2016 \$	Unfavourable change 2016 \$
Investment Properties	10%	91,020	(83,342)

Reconciliation of Level 3 fair value measurements of financial assets

AASB 7.27B(c)	2017 (\$)	2016 (\$)
Opening balance	1,058,391	898,704
Total gains or losses:		
- In Income Statement	39,320	44,515
Purchases	66,887	180,214
Redemptions/Disposal	(67,457)	(65,042)
Transfers out of level 3	-	-
Closing balance	1,097,681	1,058,391

AASB 13.93(f) 2012: AASB7.27B(d) AASB 13.93(e)(ii) 2012: AASB7.27B(d)
Of the total gains or losses for the period included in the Income Statement, gains of \$39,290 (2016: gains of \$44,515) relates to investment properties held at the end of the reporting period. Fair value gains or losses on investment properties are included in 'Changes in fair value of investments' (see note 18).

26. Contingent liabilities and assets

	2017 (\$)	2016 (\$)
Contingent liabilities		
AASB 137.86(a)	Legal proceedings (i)	56,000 56,000
Contingent assets		
AASB 137.86(c)	Claims receivable (ii)	50,000 -

AASB 137.86(b)
The Fund is a defendant in a tribunal proceeding involving the dispute for a life insurance claim. The Trustee believes, based on legal advice that the action can be successfully defended and therefore no losses will be incurred by the Fund. The legal proceedings are expected to be concluded within the next 12 months

Source Reference
AASB
1056.8(f)

This relates to a claim outstanding against an insurance company in relation to a life insurance claim. Based on negotiations to date the Trustee believes that it may be possible to recover this amount.

27. Related parties

AASB 124 The Trustee of the DNew Superannuation Fund is DNew Superannuation Fund Pty Ltd (ABN 11 004 001 001).
The remuneration received by the directors of the Trustee, in respect of services rendered to the Fund, is disclosed in note 23.

Employer Sponsor

AASB 124.17 DNew Limited is the employer sponsor of the Fund. There have been no transactions between the employer sponsor and the Fund other than the employer contributions disclosed in the Statement of Changes in Members Benefits and a reimbursement by the Fund to the employer sponsor for the Fund's administration costs incurred by the sponsor. Such fees amounted to nil in the current year and prior year.

General guidance

Disclosure should also include such items, as costs paid by the company on behalf of the Fund that are not reimbursed

AASB 124.17 *Contributions and retirement benefits of key management personnel*
Certain key management personnel of the Trustee paid member contributions into the Fund. These were in accordance with the normal terms and conditions of the Trust Deed.

Other related party disclosures

During the financial year, there were no retirement benefits paid to directors or relatives of key management personnel (including their related parties) who were members of the Fund (2016: nil).

General guidance

AASB 124.21 Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.

Separate disclosure of individual transactions

AASB 124.22 Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

Details of any guarantees given or received

AASB 124.17(b)(ii) Details of any guarantees given or received by the Fund to related parties should be disclosed.

Related party categories

AASB 124.18 When disclosing information in relation to related parties, information shall be disclosed separately for each of the following categories:

- The parent
- Entities with joint control or significant influence over the entity
- Subsidiaries
- Associates
- Joint-ventures in which the Fund is a venturer
- Key management personnel of the Fund or its parent
- Other related parties.

Definitions

AASB 124.9 'Related party' – a party is related to an entity if:
(a) Directly, or indirectly through one or more intermediaries, the party:
(i) Controls, is controlled by, or is under common control with, the entity
(ii) Has an interest in the entity that gives it significant influence over the entity
(iii) Has joint control over the entity.
(b) The party is an associate of the entity
(c) The party is a joint venture in which the entity is a venturer
(d) The party is a member of the key management personnel of the entity or its parent
(e) The party is a close member of the family of any individual referred to in (a) or (d)

Source Reference
AASB
1056.8(f)

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e)
(g) The party is a post-employment benefit plan for the benefit of employees of the Fund, or of any entity that is related party of the Fund.

AASB 124.9

Close members of the family of an individual' are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include:
(a) The individual's domestic partner and children
(b) Children of the individual's domestic partner
(c) Dependants of the individual or the individual's domestic partner.

AASB 124.9

'Key management personnel' are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
A 'related party transaction' is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

28. Commitments for expenditure

Capital commitments and other expenditure commitments contracted for as at reporting date do not require disclosure where the commitments have been recognised as liabilities in the statement of net assets.

AASB
140.75(h)

Capital expenditure commitments

Investment property

Not longer than 1 year
1 – 5 years
Over 5 years

	2017 (\$)	2016 (\$)
	-	--
	-	-
	-	-
	-	-

29. Operating leases

AASB
117.56(c)

Operating leases relate to the investment property with lease terms of between 5 and 10 years. All operating leases contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Other expenditure commitments

Not later than 1 year
Between 1-5 years
More than 5 years
Total

	2017 (\$)	2016 (\$)
	18,000	18,000
	90,000	90,000
	36,000	54,000
	144,000	162,000

30. Subsequent events

General guidance

AASB 110.21

The financial report shall disclose for each material category of subsequent events (other than those events whose financial effects have already been brought to account):

- (a) The nature of the event
- (b) An estimate of its financial effect, or a statement that such an estimate cannot be made.

AASB 110.8,
19

The effects of events after reporting date providing evidence of conditions that existed at the reporting date shall be brought to account rather than disclosed by way of note to the financial statements. If an entity receives information after the reporting date about conditions that existed at the reporting date, it shall update disclosures that relate to these conditions, in the light of the new information.



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