



STATEPLUS FIXED TERM PENSION PLAN

ABN 57 583 186 748

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Trust Information

Trustee

State Super Financial Services Australia Limited
ABN 86 003 742 756
Phone (02) 9333 9555

Directors of the Trustee

N. Cochrane (Chairman)
G. Arnott (Interim CEO; ceased 1 October 2016)
S. Carter
M. Lennon
J. Warburton
T. Carr (appointed 28 September 2016)
R. Ramwell (appointed 28 September 2016)
M. Rice (appointed 28 September 2016)

Chief Executive Officer

G. Arnott

Chief Financial Officer and Chief Operating Officer

T. Elliott

Registered Office

Level 21
83 Clarence Street
Sydney, NSW, 2000
Phone (02) 9333 9555

Bankers

Westpac Banking Corporation

Custodian

Deutsche Bank AG (Sydney Branch)

Auditors

Deloitte Touche Tohmatsu

Internet Address

www.stateplus.com.au

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TRUSTEE'S STATEMENT

The financial statements of the StatePlus Fixed Term Pension Plan ('the Pension Plan') for the year ended 30 June 2017 has been prepared by State Super Financial Services Australia Limited, the Trustee of the Pension Plan.

The Directors of State Super Financial Services Australia Limited declares that:

- (a) The accompanying financial statements of the Pension Plan are properly drawn up so as to present fairly the statement of financial position of the Pension Plan as at 30 June 2017 and the income statement, statements of changes in member benefits, changes in equity/reserves and cash flows for the year ended 30 June 2017; and
- (b) The accompanying financial statements are drawn up in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the Board of Directors of State Super Financial Services Australia Limited (ABN 86 003 742 756).

On behalf of the Board

Neil Cochrane
Chairman
31 August 2017

John Warburton
Chair of the Audit, Risk and Compliance Committee
31 August 2017

STATEPLUS FIXED TERM PENSION PLAN — FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
INVESTMENT REVENUE			
Interest and other Income		1,800	2,236
Change in net market value of investments	5	277,856	188,720
NET INVESTMENT REVENUE		279,656	190,956
EXPENSES			
General administration expenses	3	258,384	297,854
TOTAL EXPENSES		258,384	297,854
OPERATING RESULTS			
		21,272	(106,897)
Net benefits allocated to defined benefit member benefits		(5,004)	116,042
Income tax (expense)/benefit	6	-	-
OPERATING RESULT AFTER INCOME TAX		16,268	9,145

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

STATEPLUS FIXED TERM PENSION PLAN — FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	NOTE	2017 \$	2016 \$
ASSETS			
Cash at bank	11(a)	163,333	42,016
Sundry debtors		2,840	1,702
Investments in unlisted notes	4	7,566,629	12,060,251
TOTAL ASSETS		7,732,802	12,103,969
LESS LIABILITIES			
Creditors and accruals		(140,760)	(34,573)
TOTAL LIABILITIES		(140,760)	(34,573)
NET ASSETS AVAILABLE FOR MEMBERS BENEFITS		7,592,042	12,069,396
Defined benefit member liabilities	9,10	(7,566,629)	(12,060,251)
TOTAL MEMBERS LIABILITIES		(7,566,629)	(12,060,251)
NET ASSETS		25,413	9,145
EQUITY			
Operational Risk Reserves		-	-
Unallocated surplus/(deficit)		25,413	9,145
TOTAL EQUITY		25,413	9,145

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

STATEPLUS FIXED TERM PENSION PLAN — FINANCIAL STATEMENTS

**STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE FINANCIAL YEAR ENDED
30 JUNE 2017**

	Defined benefit member benefits		
	NOTE	2017 \$	2016 \$
Opening balance		12,060,251	17,517,380
Net after tax contributions		-	-
Benefits to members	7	(4,498,627)	(5,341,086)
Reserve transferred to/(from) members:			
- Operational risk reserves	14(b)	-	-
Net benefits allocated, comprising:			
- Net investment income		263,389	181,810
- Net administration fees		(258,384)	(297,854)
Closing balance		7,566,629	12,060,251

STATEPLUS FIXED TERM PENSION PLAN — FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN IN EQUITY/RESERVES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTE	Operational risk reserve \$	Unallocated surplus (deficit)	Total equity \$
Opening balance as at 1 July 2015		-	-	-
Transfer (to)/from DB member account		-	-	-
Operating result		-	9,145	9,145
				-
Closing balance as at 30 June 2016		-	9,145	9,145
Opening balance as at 1 July 2016		-	9,145	9,145
Transfer (to)/from DB member account		-		-
Operating result		-	16,268	16,268
Closing balance as at 30 June 2017		-	25,413	25,413

STATEPLUS FIXED TERM PENSION PLAN — FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTE	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,800	2,236
Trustee fees paid		(163,761)	(381,513)
Reduced input tax credit received		17,769	36,437
Net cash (used in) operating activities	11	(144,192)	(342,840)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of investments		-	-
Receipts from sale of investments		4,771,476	5,640,592
Net cash generated by investing activities		4,771,476	5,640,592
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfers to other superannuation funds		-	-
Benefits paid		(4,505,966)	(5,360,588)
Net cash (used in) financing activities		(4,505,966)	(5,360,588)
Net decrease in cash and cash equivalents		121,317	(62,836)
Cash and cash equivalents at the beginning of the financial year		42,016	104,852
Cash and cash equivalents at the end of the financial year		163,333	42,016

1. THE PENSION PLAN

The StatePlus Fixed Term Pension Plan (the 'Pension Plan') was established under a Trust Deed dated 14 July 1999. The Trustee is State Super Financial Services Australia Limited. The Pension Plan is a defined benefit plan for the purposes of Australian Accounting Standard AASB 1056 *Superannuation Entities* ('AASB 1056').

The Trustee elected for the Pension Plan to become a regulated plan in accordance with the Superannuation Industry (Supervision) Act 1993 legislation with effect from 14 July 1999. The Pension Plan continues to be treated as a complying superannuation fund for the purposes of the Income Tax Assessment Act 1997.

The Pension Plan closed for applications on 19 September 2004.

State Super Financial Services Limited (ABN 86 003 742 756) is the Trustee of the Pension Plan.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of preparation

(a) Statement of compliance

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.

A report by the actuary giving an actuarial valuation of the Pension Plan as at 30 June 2017 was made by PricewaterhouseCoopers Securities Limited.

For the purposes of preparing the financial statements the Fund is a for-profit entity.

The financial statements were authorised for issue by the directors of the Trustee on 31 August 2017.

(b) Use of judgements and estimates

In the application of Accounting Standards, the Trustee is required to make judgements, estimates and assumptions about carrying 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 judgements. Actual results may differ from these estimates.

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.

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

The valuation of accrued benefits and vested benefits undertaken by the actuary involves the use of judgements and estimates applicable to the valuation of the investments. These are disclosed in Notes 10 and 14.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**(c) Adoption of new and revised Accounting Standards**

In the current year, the Pension Plan has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the 'AASB') that are relevant to its operations and effective for annual reporting periods beginning on or before 1 July 2016.

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.

- 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 Initiatives: Amendments to AASB 101'

(d) First time adoption of AASB 1056 'Superannuation Entities'

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 the current year. In accordance with the transitional provisions of AASB 1056, the Fund has not presented a statement of financial position as at the beginning of the comparative period (1 July 2015).

The impact of adopting AASB 1056 has been summarised as follows:

- New format for the presentation of the Financial Statements, including a statement of financial position; an income statement; a statement of changes in equity/reserves; statement of cash flows and statement of changes in member benefits
- Comparatives change for the new format
- Member balances are a liability of the Pension Plan, where contributions and benefits paid are movements in member balances and not an income or expense item.
- Annual measurement of member liability which is in line with the current process for the Pension Plan. Hence no change is required.
- Assets and liabilities measured at Fair value, there is a change to the policy but has no material impact.
- Additional disclosure requirements:
 - deeming defined benefit member liabilities to be within the scope of AASB 7 'Financial Instruments: Disclosures' in respect of credit risk, market risk and liquidity risk

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. SUMMARY OF ACCOUNTING POLICIES (Continued)**(e) Accounting Standards issued but not yet effective**

At the date of authorisation of the financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and the relevant amending standards	1 January 2018	30 June 2019
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

These Standards and Interpretations will be first applied in the financial statements of the Pension Plan that relates to the annual reporting period beginning after the effective date of each pronouncement.

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.

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.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Investments

The Pension Plan invests in a product developed by Deutsche Bank AG ('DBAG'). Under the terms of the investment product, DBAG agrees to provide the Trustee with a series of payments over a fixed period. These payments (in part) represent returns from underlying securities that will be purchased by DBAG and held by it as Custodian for the Pension Plan. Any difference between the agreed payments and the returns from the underlying securities is met by DBAG (other than a shortfall which arises due to the non-payment of an amount due from the issuer of an underlying security). Any surplus between agreed payments and the returns from the underlying securities is kept by DBAG. DBAG is entitled to retain profits derived from its dealings with the underlying securities.

Investments are included in the Statement of Financial Position at fair value as at reporting date. Changes in fair value of investments are recognised in the Income Statement in the periods in which they occur.

Fair values have been determined by reference to the commutation value of all current pensions as advised by the investment provider, DBAG.

Commutation value is determined as the present value of future pension payments using the repurchase yield.

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

(b) Income Tax

As all of the assets of the Pension Plan constitute 'segregated current pension assets' within the meaning of Sections 295-385 of the Income Tax Assessment Act 1997, income earned on these assets will not be assessable to the Pension Plan.

(c) Goods and Services Tax

Goods and Services Tax ('GST') is usually incurred on the costs of various services provided to and paid by the Pension Plan. The current rate of GST is 10%. The Pension Plan is eligible to claim a Reduced Input Tax Credit ('RITC') at the rate of 75% of the GST incurred on these services.

In the Income Statement, fees and expenses have been recognised inclusive of the GST paid less the RITC claimed from the Australian Taxation Office ('ATO'). In the Statement of Financial Position, creditors and accruals are shown inclusive of GST payable, while the amount of the RITC recoverable from the ATO as at balance date is included in sundry debtors.

(d) Benefits Paid and Payable

Benefits paid and death benefits are measured at their nominal value as prescribed by the Pension Plan's Trust deed. It incorporates the monthly pensions and death benefits that are reflected in the trial balance on a cash basis.

Benefits payables include monthly pensions that have been withheld for members with pending estate decisions. Once the estate decisions have been made, the benefits are paid to the designated beneficiaries.

(e) Interest Revenue

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 estimated future cash receipts through the expected life of the financial assets to that assets net carrying amount. If interest is not received at balance sheet date, the balance is reflected in the Statement of Financial Position as a receivable.

(f) Liabilities – Creditors and Accruals

Accounts payable are recognised when the Pension Plan 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.

(g) Cash and Cash Equivalents

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

3. GENERAL ADMINISTRATION EXPENSES

Ongoing management charges comprise the Trustee's fees and other charges accrued on an accruals accounting basis every year for the operation and management of the Pension Plan.

The monthly pension paid to members is net of all fees and charges, including the Trustee's fees.

The Trustee's fee equals to the gross amount received from Deutsche Bank AG less the amount contracted to be paid to members as a pension.

For the year ended 30 June 2017, the Trustee fees payable by clients investing in the StatePlus Fixed Term Pension Plan were:

CPI Indexed Pension: 0.80% per annum, convertible monthly, (i.e. 0.067% per month) [2016: 0.067% per month].

Unindexed Pension: 1.00% per annum, convertible monthly, (i.e. 0.083 % per month) [2016: 0.083% per month].

Fees paid during the year:

	2017	2016
	\$	\$
General administrative expenses paid/payable		
Trustee fees (excl. GST)	252,082	292,201
Add GST	25,208	29,220
Less RITC	(18,906)	(21,915)
Government fees and charges	-	-
RITC refunds	-	(1,652)
Total general administrative expenses	258,384	297,854

Out of the Trustee's fees, the Trustee pays all ongoing operating expenses and charges of the Pension Plan which it incorporates government fees and charges such as the Australian Prudential Regulation Authority Levy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

4. INVESTMENTS

	2017 \$	2016 \$
Investments of the Pension Plan:		
CPI Indexed Pension - Deutsche Bank AG Global SELECT Contracts	7,234,896	11,563,786
Unindexed Pension - Deutsche Bank AG Global SELECT Contracts	331,733	496,465
Total investments	7,566,629	12,060,251

5. CHANGES IN FAIR VALUE OF INVESTMENTS

	2017 \$	2016 \$
Investments held at reporting date:		
CPI Indexed Pension - Deutsche Bank AG Global SELECT Contracts	271,911	168,348
Unindexed Pension - Deutsche Bank AG Global SELECT Contracts	5,945	20,372
Total changes in fair value of investments	277,856	188,720

6. INCOME TAX EXPENSE

	2017 \$	2016 \$
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense	-	-
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:		
Operating result before income tax	(100,860)	(5,447,985)
Income tax income calculated at 15%	(15,129)	(817,198)
Non-deductible benefit payments	18,320	801,163
Exempt income	(41,948)	(28,643)
Non-deductible expenses	38,757	44,678
Income tax expense	-	-

Refer to Significant accounting policies Note 2(b) for more information on the income tax calculation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

7. BENEFITS PAID/PAYABLE

	2017 \$	2016 \$
Benefits paid and payable during the year were:		
Pensions	4,376,495	5,121,090
Death	122,132	219,996
Total benefits paid payable	4,498,627	5,341,086

8. AUDIT FEES

The Pension Plan's auditor is Deloitte Touche Tohmatsu. The following fees (shown exclusive of GST) were paid by the Trustee from its own resources to Deloitte Touche Tohmatsu during the financial year, in connection with the Pension Plan.

	2017 \$	2016 \$
Audit of the financial statements	30,235	29,480

There were no other non-audit services provided during the financial year by Deloitte Touche Tohmatsu (2016: the Audit Office of NSW or Deloitte Touche Tohmatsu).

In accordance with the Public Finance and Audit Act 1983 the Audit Office of New South Wales was the auditor until the change in the ownership of the trustee. Deloitte Touche Tohmatsu was the appointed agent for the Audit Office of New South Wales as auditors of the Pension Plan for the period to 5 June 2016. Following the resignation of the Audit Office of New South Wales on 6 June 2016, Deloitte was appointed as auditor.

9. LIABILITY FOR ACCRUED BENEFITS

	2017 \$	2016 \$
Accrued benefits as at 30 June	7,566,629	12,060,251
Net assets available to pay benefits as at 30 June	7,592,042	12,069,396

The valuation of accrued benefits was undertaken by the actuary as part of a comprehensive actuarial review as at 30 June 2017. A summary of the latest actuarial report showing the information required by Australian Accounting Standard AASB 1056 is appended to the financial statements.

The actuarial valuation of accrued benefits has been determined on the basis of the net present commutation value of expected future pension payments, which arise from the membership of the Pension Plan, after taking into account the liquidation costs of the underlying investments. The amount has been determined by reference to a discount rate and other relevant actuarial assumptions.

There are no key assumptions or variables that would have a material impact on defined member benefit liabilities; therefore sensitivity analysis is not used.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10. VESTED BENEFITS

Vested benefits are benefits that are not conditional upon the continual membership of the Pension Plan (or any other factor other than ceasing to be a member of the Pension Plan) and include benefits which members were entitled to receive had they terminated their Pension Plan membership as at the end of the year.

11. CASH FLOW INFORMATION

	2017 \$'000	2016 \$'000
(a) Cash and cash equivalents	163,333	42,016
(b) Reconciliation of net inflows of cash from operating activities to operating result after income tax		
Operating result after income tax	-	-
Net change in DB member accounts	21,272	(106,897)
(Increase) in fair value of investments	(277,856)	(188,720)
Change in operating assets and liabilities		
Decrease in interest receivable		
(Increase)/decrease in reduced input tax credit receivable	(1,137)	14,522
Increase/(decrease) in accrued expenses	113,529	(61,746)
Net (outflows) of cash from operating activities	(144,192)	(342,840)

12. GUARANTEED BENEFITS

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

13. FUNDING ARRANGEMENTS

The funding policy of the Pension Plan is aimed at ensuring the benefits accruing to members and beneficiaries are fully funded as the benefits fall due.

An actuarial review was conducted at 30 June 2017. A summary of the review is attached to these financial statements and includes the actuary's opinion as to the financial condition of the Pension Plan at the valuation date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

14. FINANCIAL INSTRUMENTS DISCLOSURES

(a) Management

Investments of the Pension Plan comprise investments in Global SELECT Investments Contracts issued by the external investment provider, Deutsche Bank AG ('DBAG'), under a Master Agreement. The Trustee has determined that this type of investment is appropriate for the Pension Plan and is in accordance with its published investment strategy.

On 14 July 2015, DBAG has advised the portfolio will be rebalanced to invest 100% in AAA rated Mortgage Backed Securities. The change in nature of the underlying investments does not have a material impact on Pension Plan.

The members' investment risks are the function of the investment option that they invest in. Sensitivity analysis is not disaggregated based on investment option as the risks for both CPI Indexed Pension and Unindexed Pension are the same and discussed below.

(b) Capital Risk Management

The ORFR has been established as an APRA requirement for registrable superannuation entities to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations. APRA suggest that a minimum of 0.25 per cent of total funds under management be held within this reserve. The minimum requirement as specified in the ORFR policy has been met by the Fund. In accordance with the relevant Trust Deed and within the parameters of the Superannuation Industry (Supervision) Act 1993 and Regulations, while referencing the APRA Prudential Standards, SSFS is accumulating an ORFR for the Pension Plan by way of reserves held by the trustee. Amounts are determined and reserved in accordance with the SSFSAL Operational Risk Financial Requirement Policy, which has been provided to APRA.

As at 30 June 2017, the Trustee of the Pension Plan currently holds a reserve of \$50,000 to cover operational risk of the Plan.

(c) Member Risks

There are three key risks which may result in a shortfall of funding pension payments to members:

1. Market Risk: where there may be a shortfall of interest payments from the underlying securities held within the portfolio. Under the 'Investments' section (page 2) of the PDS; any shortfall will be met by DBAG. Any surplus of interest earned on the underlying securities is retained by DBAG;
2. Credit Risk: the risk of fixed interest securities defaulting in the portfolio by the underlying issuers of the debt securities held by the CPI Indexed Pension and Unindexed Pension – DBAG Select Contracts. This is accepted by members and is disclosed in the offer document under the 'Counterparty Risk' section (page 2) of the PDS;
3. Counterparty Risk: the risk of DBAG defaulting. This is accepted by the members and is disclosed in the offer document under the 'Counterparty risk' section (page 2) of the PDS. In the event of DBAG defaulting, the Trustee will exercise its right to the collateral contract held by DBAG and assume responsibility for the underlying investments. The underlying investments will be held by a custodian on behalf of the Trustee.

14. FINANCIAL INSTRUMENTS DISCLOSURES (Continued)**(d) Financial Risk Management Objectives**

To reduce credit risk, the Trustee requires that, at the time of purchase, each investment has a long term credit rating of not less than AA+ (as determined by Standard & Poor's). Debt securities issued, guaranteed, endorsed or accepted by DBAG whilst DBAG has a Standard & Poor's (or Moody's equivalent) short term credit rating of not less than A1+. Currently DBAG has a Standard & Poor's (or Moody's equivalent) short term credit rating of A-2. The Trustee has implemented a collateral contract with DBAG to provide a 5% excess (buffer) of assets over liabilities to cover for the downgrade risk of DBAG. The Trustee plans to replace DBAG as the custodian of the Fund's investments to mitigate the risk that their credit rating may fall below specified contractual threshold, in line with the Pension Plan's risk management policy.

(e) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Deutsche Bank AG does not guarantee the performance of the underlying investments. That is, members of the Pension Plan bear the credit risk (risk of default) of the underlying investments. There has been no change in the strategy to manage credit risk from the prior year. The total credit risk is limited to the amount carried on the Statement of Financial Position.

(f) Liquidity and Cash Flow Risk

Liquidity and cash flow risk is the risk that the Pension Plan will experience difficulty either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments.

Ultimate responsibility for liquidity risk management rests with the Trustee. The Trustee has built an appropriate risk framework for the managing of the liquidity requirements of the Pension Plan. In particular, the liquidity of the Pension Plan is managed in accordance with its investment strategy. Under the terms of the investment product, DBAG agrees to provide the Trustee with a series of payments over a fixed period. These payments (in part) represent returns from underlying securities that will be purchased by DBAG and held by it as Custodian for the Pension Plan. Any difference between the agreed payments and the returns from the underlying securities is met by DBAG (other than a shortfall which arises due to the non-payment of an amount due from the issuer of an underlying security). Any surplus between agreed payments and the returns from the underlying securities is kept by DBAG. The Pension Plan's net cash flows are continually monitored. The overall strategy to manage liquidity risk remains unchanged from 2016.

The following table summarises the maturity profile of the Pension Plan'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 Pension Plan can be required to pay.

	2017		2016	
	Less than 3 months	Total	Less than 3 months	Total
	\$	\$	\$	\$
Defined Benefit member liabilities	(7,566,629)	(7,566,629)	(12,060,251)	(12,060,251)
Other				
Creditors and accruals	(140,760)	(140,760)	(34,573)	(34,573)
Total	(7,707,389)	(7,707,389)	(12,094,824)	(12,094,824)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

14. FINANCIAL INSTRUMENTS DISCLOSURES (Continued)

(g) Market Risk

In order to meet the investment objectives of the Pension Plan, the Trustee has entered into contractual arrangements to use an investment product developed by DBAG. Under the terms of the investment product, DBAG agrees to provide the Trustee with a series of payments over a fixed period. These payments (in part) represent returns from underlying securities that will be purchased by DBAG and held by it as Custodian for the Pension Plan. Therefore market risk is held by DBAG.

(h) Interest Rate Risk

The Pension Plan closed on 19 September 2004. Up to the date of closure the Pension Plan was able to accept new contributions and its interest rate risk was limited to the period between the receipt and processing of new contributions from members and the investment by the Trustee of those funds in Global SELECT Contracts with DBAG. Since the closure of the Pension Plan no new contributions have been received. Therefore, the Pension Plan is not exposed to any significant interest rate risk.

(i) Price Risk and Currency Risk

The investment monies received by DBAG are invested in the Global SELECT Contracts which are Authorised Investments, as permitted by the Trustee. The Authorised Investments at the time of purchase are high quality debt securities. The investment provider is not permitted to invest in derivative instruments. DBAG makes payments to the Trustee in pre-agreed amounts, regardless of the underlying investment returns. This removes any price risk or currency risk.

(j) Concentration Risk

As the size of the Fund declines, the ability of the Trustee to diversify the portfolio decreases. This results in an increase of concentration risk as the portfolio is invested in fewer underlying instruments.

(k) Fair Value of Financial Assets and Liabilities

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- 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).

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	2017		2016	
	Level 2 \$	Total \$	Level 2 \$	Total \$
CPI Indexed Pension - Deutsche Bank AG Global SELECT Contracts	7,234,896	7,234,896	11,563,786	11,563,786
Unindexed Pension - Deutsche Bank AG Global SELECT Contracts	331,733	331,733	496,465	496,465
Total	7,566,629	7,566,629	12,060,251	12,060,251

There were no transfers between any of the three levels in the period.

Fair values have been determined as advised by the investment provider, Deutsche Bank AG.

15. RELATED PARTY DISCLOSURES

Trustee

State Super Financial Services Australia Limited (SSFSAL)(ABN 86 003 742 756) is the Trustee of the Pension Plan.

Administration of the Pension Plan is conducted by the Trustee. The Trustee received trustee fee payment from the Pension Plan (refer to Note 3 for more information on trustee fee payment).

The principal place of business and registered office of State Super Financial Services Australia Limited is:

Level 21
83 Clarence Street
Sydney NSW 2000.
Tel: (02) 9333 9555

Key Management Personnel

State Super Financial Services Australia Limited (ABN 86 003 742 756) is the Trustee of the Pension Plan. The directors of the Trustee during all or part of the year were:

N. Cochrane (Chairman)
G. Arnott (interim CEO; ceased 1 October 2016)
S. Carter
M. Lennon
J. Warburton
T. Carr (appointed 28 September 2016)
R. Ramwell (appointed 28 September 2016)
M. Rice (appointed 28 September 2016)

Executives

J. Andriessen - Chief Client Officer
G. Arnott - Chief Executive Officer (appointed 1 October 2016)
T. Elliott - Chief Operating Officer & Chief Financial Officer (ceased 31 March 2017)
D. Graham - Chief Investment Officer (ceased 5 December 2016)
A. Vogt - General Manager, Financial Planning (appointed 1 February 2017)

Company Secretary

I. Pendleton

Key management personnel are paid by State Super Financial Services Australia Limited. Payments made from the Pension Plan to State Super Financial Services Australia Limited do not include any amounts directly attributable to the compensation of key management personnel.

Other Related Party Transactions

The membership terms and conditions, contributions and benefit entitlements for any director of the Trustee who is also a member of the Pension Plan are determined in accordance with the Trust Deed and on the same basis available to other members of the Pension Plan.

As at 30 June 2017, the Trustee did not hold any units in the Pension Plan (2016: Nil). No units were held by related parties or key management personnel of the Trustee (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

15. ACTUARIAL CERTIFICATE

The Actuarial Certificate for the Pension Plan is included on pages 24 and 25.

16. CONTINGENT ASSETS AND LIABILITIES

The Pension Plan did not have any contingent assets or contingent liabilities as at 30 June 2017 (2016: Nil).

17. SUBSEQUENT EVENTS

The Trustee plans to replace DBAG as the custodian of the Pension Plan's investments as DBAG's credit rating has fallen in the past year. This is to mitigate the risk that their credit rating may fall below the specified contractual threshold.

There has not been any other matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Pension Plan, the results of those operations, or the state of affairs of the Pension Plan in future financial years.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

ACTUARIAL STATEMENT

ABRIDGED FINANCIAL INFORMATION

**INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
INVESTMENT REVENUE		
Interest and other Income	1,800	2,236
Change in net market value of investments	277,856	188,720
NET INVESTMENT REVENUE	279,656	190,956
EXPENSES		
General administration expenses	258,384	297,854
TOTAL EXPENSES	258,384	297,854
OPERATING RESULTS	21,272	(106,897)
Net benefits allocated to defined benefit member benefits	(5,004)	116,042
Income tax (expense)/benefit	-	-
OPERATING RESULT AFTER INCOME TAX	16,268	9,145

ABRIDGED FINANCIAL INFORMATION

STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Defined benefit member benefits	
	2017 \$	2016 \$
Opening balance	12,069,396	17,517,380
Net after tax contributions	-	-
Benefits to members	(4,498,627)	(5,341,086)
Reserve transferred to/(from) members:		
- Operational risk reserves	-	-
Net benefits allocated, comprising:		
- Net investment income	263,389	181,810
- Net administration fees	(258,384)	(297,854)
Closing balance	7,566,629	12,060,251

STATEPLUS FIXED TERM PENSION PLAN — FINANCIAL STATEMENTS

ABRIDGED FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	2017		2016
	\$		\$
ASSETS			
Cash at bank	163,596		42,016
Sundry debtors	2,840		1,702
Investments in unlisted notes	7,566,629		12,060,251
TOTAL ASSETS	7,733,065		12,103,969
LESS LIABILITIES			
Creditors and accruals	(141,023)		(34,573)
TOTAL LIABILITIES	(141,023)		(34,573)
NET ASSETS AVAILABLE FOR MEMBERS BENEFITS	7,592,042		12,069,396
Defined benefit member liabilities	(7,566,629)		(12,060,251)
TOTAL MEMBERS LIABILITIES	(7,566,629)		(12,060,251)
NET ASSETS	25,413		9,145
EQUITY			
Operational Risk Reserves	-		-
Unallocated surplus/(deficit)	25,413		9,145
TOTAL EQUITY	25,413		9,145