

max Super Fund

ABN: 22 508 720 840

Financial Statements for the year ended
30 June 2020

Table of Contents

Statement of Financial Position	3
Income Statement	4
Statement of Changes in Member Benefits	5
Statement of Changes in Reserves	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Trustee's Declaration	20
Audit Report	21

Statement of Financial Position

As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	12	11,535	8,903
Investment revenue receivable		1,445	1,502
Other receivables		513	204
Financial instruments	6	76,006	91,949
Deferred tax assets	10(v)	104	-
Total assets		89,603	102,558
Liabilities			
Payables	4	643	469
Current tax liabilities		134	141
Deferred tax liabilities	10(v)	-	1,189
Total liabilities excluding member benefits		777	1,799
Net assets available for member benefits		88,826	100,759
Member benefits			
Allocated to members		85,310	97,816
Total member liabilities		85,310	97,816
Net assets		3,516	2,943
Equity			
Operational risk reserve	9(a)	400	416
Unallocated to members	9(b)	288	330
Insurance premiums holding reserve	9(c)	2,828	2,197
Total equity		3,516	2,943

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

Income Statement

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Superannuation activities			
Interest Revenue		49	81
Dividend Revenue		759	561
Distribution Revenue		2,409	2,626
Changes in assets measured at fair value	5	(5,516)	6,258
Other income		222	287
Total superannuation activities income		(2,077)	9,813
Investment expenses		(197)	(130)
Administration expenses		(452)	(400)
Operating expenses	11(a)	(782)	(958)
Total expenses		(1,431)	(1,488)
Results from superannuation activities before income tax expense		(3,508)	8,325
Income tax benefit / (expense)	10(iii)	1,949	(215)
Results from superannuation activities after income tax expense		(1,559)	8,110
Net amounts deducted from/(benefits allocated to) defined contribution members		1,532	(8,818)
Operating result after income tax		(27)	(708)

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

Statement of Changes in Member Benefits

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Opening balance of member benefits		97,816	95,238
Contributions:			
Employer		6,163	6,449
Member		519	589
Government co-contributions and LISC		57	74
Transfer from other superannuation plans		6,989	3,761
Income tax on contributions	10(iv)	(960)	(1,017)
Net after tax contributions		12,768	9,856
Benefits to members/beneficiaries		(6,724)	(1,432)
Transfer to other superannuation plans		(10,159)	(10,275)
Death and disability benefits credited to members' accounts		746	207
Insurance premiums charges to members' accounts		(7,605)	(4,596)
Net amounts (deducted from)/benefits allocated to defined contribution members, comprising:			
Net investment income		(387)	10,083
Administration fees		(1,145)	(1,265)
Closing balance of member benefits		85,310	97,816

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

Statement of Changes in Reserves

For the year ended 30 June 2020

	Unallocated to members \$'000	Administration reserve \$'000	Operational risk reserve \$'000	Insurance Premiums Holding Reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2019	330	-	416	2,197	2,943
Operating result	(11)	-	(16)	-	(27)
Movement in unallocated deposits	(31)	-	-	631	600
Closing balance as at 30 June 2020	288	-	400	2,828	3,516
Opening balance as at 1 July 2018	856	182	381	-	1,419
Net transfers to/from reserves	178	(182)	4	-	-
Operating result	(739)	-	31	-	(708)
Movement in unallocated deposits	35	-	-	2,197	2,232
Closing balance as at 30 June 2019	330	-	416	2,197	2,943

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

Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Interest income received		50	80
Dividend income received		778	487
Distribution income received		155	99
Other income received		252	287
General operating expenses paid		(1,444)	(1,433)
Investment expenses paid		(203)	(135)
Income taxes paid		750	247
Net cash outflow from operating activities	13	338	(368)
Cash flows from investing activities			
Sales of financial instruments		43,344	41,627
Purchases of financial instruments		(30,984)	(32,213)
Net cash inflow from investing activities		12,360	9,414
Cash flows from financing activities			
Employer contributions received		6,158	6,449
Member contributions received		508	589
Other contributions received		57	74
Transfers to other superannuation entities		(3,171)	(6,511)
Benefit payments to members or beneficiaries		(6,422)	(1,422)
Tax paid on contributions		(960)	(1,017)
Unallocated deposits		(35)	65
Death and disability proceeds received from insurer		746	207
Insurance premiums paid		(6,947)	(2,359)
Net cash outflow from financing activities		(10,066)	(3,925)
Net increase in cash and cash equivalents		2,632	5,121
Cash and cash equivalents at the beginning of the financial year		8,903	3,782
Cash and cash equivalents at the end of the financial year	12	11,535	8,903

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

Notes to the Financial Statements

As at 30 June 2020

1. General information

max Super Fund (the 'Fund') was created by a Trust Deed dated 25 August 2005, as amended. The purpose of the Fund is to provide retirement benefits to its members. For the purposes of the financial statements the Fund is a for profit entity.

The Fund consists of 3 divisions which are as follows:

Max Super Division

Good Super Division

NEOS Super Plan

Each division is governed by its own Product Disclosure Statement.

The Fund is a complying superannuation plan.

The Fund is managed by Tidswell Financial Services Ltd (the 'Trustee') which is incorporated in Australia. The registered office of the Trustee is Level 9, 287 Collins Street, Melbourne, Victoria, 3000. Both the Trustee and the Fund are domiciled in Australia and registered with the Australian Prudential Regulation Authority (APRA).

The Fund administration is managed by DDH Graham Limited (the 'Administrator') which is incorporated in Australia. The registered office of the Administrator is Level 9, 324 Queen Street, Brisbane, QLD 4000.

Investments of the Fund are held by Sandhurst Trustees (Victoria) Limited and Interactive Brokers as nominees for Tidswell Financial Services Ltd, as custodian of the Fund.

The promoter of the max Super Division and Good Super Division is Mammatus Pty Ltd (ABN 74 101 393 435). The Promoter of the NEOS Super Plan is Australian Life Development Pty Ltd (ABN 96 617 129 914).

These financial statements cover the Fund as a consolidated entity. The financial statements of the Fund were authorised for issue by the directors of the Trustee on 30 September 2020. The directors of the Trustee have the power to amend and re- issue these financial statements.

2. Statement of significant accounting policies

Unless covered in other notes to the financial statements, the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Superannuation Industry (Supervision) Act 1993 and Regulations ("SIS") and the provisions of the Trust Deed.

The Trustee has the intent to wind up the Scheme. Accordingly, the financial statements of the Scheme have been prepared on a wind-up basis of reporting rather than a going concern basis. In doing so, assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

New accounting standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

Newly effective accounting standards not yet adopted by the Fund

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period and have not been early adopted by the Fund. None of these are expected to have a material effect on the financial statements of the Fund.

(b) Financial instruments*(i) Classification*

The Fund's investments are classified as at fair value through the income statement. These investments are in exchange traded debt and equity instruments, listed and unlisted trusts.

(ii) Recognition/derecognition

Financial assets and financial liabilities are recognised on the date the Fund becomes party to the contractual arrangement (trade date) and changes in the fair value of the financial assets or financial liabilities are recognised from this date.

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

(iii) Measurement

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

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

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

(c) Derivatives

The Fund presently is not directly exposed to or involved in the use of derivative financial instruments. However, some of the Fund's underlying investments may, as part of the respective fund manager's investment strategy, utilise derivative financial instruments to hedge or partially hedge specific exposures. The Fund does not enter in to, hold or issue derivative financial instruments for trading purposes.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Revenue recognition

Interest revenue is recognised in profit or loss for all financial instruments that are held at fair value through profit or loss. Income from cash and cash equivalents is presented as interest income. Interest income on assets held at fair value through profit or loss is included in the net changes in fair value of financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b) to the financial statements.

Dividend revenue is recognised on the date the shares are quoted ex-dividend and if not received at reporting date, are reflected on the statement of financial position as a receivable at fair value.

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

Rebate revenue is recognised when the Fund has established it has a right to receive the rebate.

(f) Foreign currency translation

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

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

(g) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date. These are carried at nominal amounts which approximate fair value. Nominal amounts refer to the actual amounts reasonably expected to be received or paid.

(h) Receivables

Receivables are carried at nominal amounts which approximate fair value. Nominal amounts refer to the actual amounts reasonably expected to be received or paid. Receivables are generally received within 60 days of being recorded as a receivable.

(i) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. These amounts are unsecured and are usually paid within 60 days of recognition.

(j) Benefits paid/ payable

Benefits paid/ payable are valued at the amounts due to members at reporting date. Benefits paid/payable comprise lump sum benefits of members who are due a benefit but had not been paid at the balance sheet date.

(k) Contributions received and transfers from other funds

Contributions received and transfers from other funds are recognised in the statement of changes in member benefits when the control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.

(l) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to note 4 for details.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as reduced input tax credits (RITC). In circumstances where the GST is not recoverable, the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(n) Rounding of amounts

Amounts in the Financial Statements and notes to the Financial Statements have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

3. Financial risk management

(a) Financial risk management objectives

The Fund has a Risk Management Framework ("RMF") established by the Trustee. The RMF sets out the Trustees policies and procedures for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

There has been an increase in market volatility, primarily driven by speculation arising from the outbreak of the Novel Coronavirus (COVID-19). The current situation with regards to COVID-19 is emerging and therefore there are challenges in assessing its impact on economies, global financial markets and investment returns. Subsequently, the Fund's underlying investments have also experienced an increase in the volatility of returns.

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

(b) Market risk

(i) Price risk

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

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

	2020 \$'000	2019 \$'000
Equity Securities	21,285	28,817
Listed Unit Trusts	5,834	7,428
Unlisted Unit Trusts	48,887	55,704
Exposure to price risk	<u>76,006</u>	<u>91,949</u>

(ii) Foreign exchange risk

The Fund invests overseas and has assets and liabilities denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value securities denominated in foreign currencies will fluctuate due to changes in exchange rates.

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

	30 June 2020				
	US Dollars	Euro	British Pound	Japanese Yen	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Equity Securities	6,805	1,742	518	1,009	10,074
Listed Unit Trusts	1,322	1,091	4	12	2,429
Net exposure to foreign exchange risk	<u>8,127</u>	<u>2,833</u>	<u>522</u>	<u>1,021</u>	<u>12,503</u>
	30 June 2019				
	US Dollars	Euro	British Pound	Japanese Yen	Total
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Equity Securities	11,272	2,937	1,056	1,462	16,727
Listed Unit Trusts	1,730	1,481	4	15	3,230
Net exposure to foreign exchange risk	<u>13,002</u>	<u>4,418</u>	<u>1,060</u>	<u>1,477</u>	<u>19,957</u>

The Fund is also exposed to foreign exchange risk via the following other currencies; which represent less than 1% of the net assets of the fund: HKD, SEK,CAD.

(iii) Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed interest rates expose the Fund to fair value interest rate risk.

The table below summarises the Fund's direct exposure to interest rate risk.

	30 June 2020			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	A\$'000	A\$'000	A\$'000	A\$'000
Financial assets				
Cash and cash equivalents	11,535	-	-	11,535
Investment income receivable and other receivables	-	-	1,958	1,958
Financial instruments	-	-	76,006	76,006
Financial liabilities				
Financial liabilities	-	-	(643)	(643)
Net exposure to interest rate risk	11,535	-	77,321	88,856
	30 June 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	A\$'000	A\$'000	A\$'000	A\$'000
Financial assets				
Cash and cash equivalents	8,903	-	-	8,903
Investment income receivable and other receivables	-	-	1,706	1,706
Financial instruments	-	-	91,949	91,949
Financial liabilities				
Financial liabilities	-	-	(469)	(469)
Net exposure to interest rate risk	8,903	-	93,186	102,089

(c) Summarised sensitivity analysis

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

	Price risk	
	-15%	+7.5%
	MSCI Index \$'000	MSCI Index \$'000
Impact on operating profit after tax/ Net assets available to member benefits		
30 June 2020	(11,401)	5,700
30 June 2019	(13,792)	6,896
	Interest rate risk	
	-25 bps	+25 bps
	\$'000	\$'000
Impact on operating profit after tax/ Net assets available to member benefits		
30 June 2020	(29)	29
30 June 2019	(67)	67
	Foreign exchange risk	
	-10%	+10%
	\$'000	\$'000
Impact on operating profit after tax/ Net assets available to member benefits		
30 June 2020		
US Dollars	(813)	813
Euro	(283)	283
British Pound	(52)	52
Japanese Yen	(102)	102
30 June 2019		
US Dollars	(1,300)	1,300
Euro	(442)	442
British Pound	(106)	106
Japanese Yen	(148)	148

(d) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund. The main credit risks, to which the Fund is exposed, arises from the Fund's investment in interest bearing securities. The Fund is also exposed to credit risk on cash and cash equivalents, amounts due from brokers and other receivables. The Trustee monitors the Fund's credit risk exposure on a regular basis.

(i) Settlement of securities transaction

All transactions in listed securities are settled for upon delivery using brokers approved by the Trustee. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment.

(ii) Cash and cash equivalents

The Fund's exposure to credit risk for cash and cash equivalents is considered low as all counterparties have a rating of AA- (as determined by Standard & Poor's).

(iv) Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets.

(e) Liquidity risk

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

The Fund is obligated to pay member benefits upon request. The Trustee's policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

(i) Maturities of financial liabilities

The tables below shows the Fund's financial liabilities based on their contractual maturities using undiscounted cash flows. Due to brokers and benefits payable are payable on demand. Liabilities to defined contribution members are payable upon request. The Fund considers it is highly unlikely that all liabilities to members would fall due at the same time.

	30 June 2020				
	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Other payables	643	-	-	-	643
Defined contribution member liabilities	85,310	-	-	-	85,310
	30 June 2019				
	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Other payables	469	-	-	-	469
Defined contribution member liabilities	97,816	-	-	-	97,816

4. Fair value measurement

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values fixed interest securities held by the Fund using broker quotes, units in unit trusts using the unadjusted redemption price quoted by the underlying fund manager and OTC derivatives using valuation models.

Level 3: one or more of the significant inputs are not based on observable market data, examples include implied unit prices, capitalisation rates, earnings multiples and recent comparable market transactions. The Trustee generally values units in unit trusts classified as level 3 instruments using the implied unit price provided by the underlying fund manager unless there is a specific verifiable reason to vary from the unit price provided. The level 3 unit trusts held by the Fund may include closed funds which are illiquid investments. The level 3 unit trusts hold assets such as property and private equity.

Recognised fair value measurements

The table below sets out the Fund's financial assets and liabilities at fair value according to the fair value hierarchy.

	30 June 2020			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Investment income receivable and other receivables	1,958	-	-	1,958
Equity Securities	21,285	-	-	21,285
Listed Unit Trusts	5,834	-	-	5,834
Unlisted Unit Trusts	-	48,887	-	48,887
	29,077	48,887	-	77,964
Financial Liabilities				
Other payables	(643)	-	-	(643)
	(643)	-	-	(643)
	30 June 2019			
Financial Assets				
Investment income receivable and other receivables	1,706	-	-	1,706
Equity Securities	28,817	-	-	28,817
Listed Unit Trusts	7,428	-	-	7,428
Unlisted Unit Trusts	-	55,704	-	55,704
	37,951	55,704	-	93,655
Financial Liabilities				
Other payables	(469)	-	-	(469)
	(469)	-	-	(469)

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period.

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

5. Net changes in fair value of financial instruments

	2020 \$'000	2019 \$'000
Designated at fair value through profit or loss		
Equity Securities	(1,185)	3,222
Listed Unit Trusts	(106)	804
Unlisted Unit Trusts	(4,225)	2,232
	<u>(5,516)</u>	<u>6,258</u>

6. Financial instruments held at fair value through profit or loss

	2020 \$'000	2019 \$'000
Designated at fair value through profit or loss		
Equity Securities	21,285	28,817
Listed Unit Trusts	5,834	7,428
Unlisted Unit Trusts	48,887	55,704
Total financial instruments held at fair value through profit or loss	<u>76,006</u>	<u>91,949</u>

Comprising:

Equity Securities

Australian equity securities	10,567	10,999
International equity securities	10,717	17,818
	<u>21,285</u>	<u>28,817</u>

Listed Unit Trusts

Units in Australian equity trusts	3,364	4,142
Units in International equity trusts	2,471	3,286
	<u>5,834</u>	<u>7,428</u>

Unlisted Unit Trusts

Units in Australian unlisted unit trusts	35,400	40,498
Units in International unlisted unit trusts	13,487	15,206
	<u>48,887</u>	<u>55,704</u>

Total financial instruments held at fair value through profit or loss

	<u>76,006</u>	<u>91,949</u>
--	---------------	---------------

7. Member liabilities

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

Defined contribution member account balances are measured using unit prices determined by the Trustee based on the underlying investment option values selected by members.

The defined contribution members bear the investment risk relating to the underlying investment options. Unit prices used to measure defined contribution member liabilities are updated each day for movements in investment values.

As at 30 June 2020, the net assets attributable to defined contribution members have been substantially allocated. Unallocated amounts are shown in the statement of financial position as "Unallocated to members" within reserves.

8. Insurance arrangements

The Fund facilitates the provision of death, disability and salary continuance insurance to its members. The Trustee has a group policy in place with a third party insurance company to insure these death and disability benefits for the members of

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

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

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

9. Reserves

(a) Operational risk financial reserve

	2020	2019
	\$'000	\$'000
Defined contribution division	400	416
Reserve balance at the end of the reporting period	<u>400</u>	<u>416</u>

The Operational Risk Financial Requirement (ORFR) is met and maintained as a reserve to provide funding for incidents where material losses may arise from operational risks. The level of the reserve is determined by the Board based on an assessment of the risks faced by the Division. The Trustee has assessed an ORFR target amount of 0.30% of funds under management as appropriate for the Fund.

(b) Unallocated to members reserve

This reserve is utilised by the Fund in regards to both unallocated contributions received by the Fund as well as any further income or tax credits arising from the completion of the tax position following the year end. This income will be allocated to members during the course of the following year.

(c) Insurance premiums holding reserve

This reserve represents the annual insurance premiums collected on behalf of members in NEOS Super Plan Division but not yet remitted to the insurer. These amounts will be remitted to the insurer on a monthly basis.

10. Income tax

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

(i) Accounting policy

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) No Tax File Number (TFN) contributions tax

Where a members' TFN is not provided to the Fund, the Fund may be required to pay no-TFN contributions tax at a rate of 31.5% on contributions received from and on behalf of the member. The no-TFN contributions tax applies in addition to the concessional contributions tax rate of 15% applicable to such contributions.

A no-TFN contributions tax liability recognised by the Fund will be charged to the relevant member's account. Where a tax offset is obtained by the Fund in relation to the member's no-TFN contributions tax liability, the tax offset will be included in the relevant member's account.

(iii) Income tax expense

	2020	2019
	\$'000	\$'000
<i>Current tax</i>		
Current tax on profits for the year	(646)	(352)
Adjustments for current tax of prior periods	(15)	54
Total current tax expense	(661)	(298)

Deferred income tax

Increase/(Decrease) in deferred tax assets	(1,288)	513
Income tax expense	(1,949)	215

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

	2020	2019
	\$'000	\$'000
Operating result before income tax expense	(3,508)	8,325
Tax at the Australian rate of 15% (2019 – 15%)	(526)	1,249
Increase/decrease in income tax expense due to:		
CGT Discount amount (realised and unrealised)	254	44
Non-deductible expenses	(92)	(330)
Imputation credits	(399)	(345)
Other non-assessable income	(126)	(96)
Prior year under/over provision	(15)	53
Tax benefit from insurance premiums	(1,045)	(360)
Income tax expense	(1,949)	215

In addition to the above, \$960,342 (2019: \$1,017,136) is recognised in the statement of changes in member benefits relating to tax on contributions deducted from member accounts.

(v) Deferred tax balances

The balance comprises temporary differences attributable to:

	2020	2019
	\$'000	\$'000
<i>Deferred tax assets</i>		
Other assets/liabilities	422	336
Total deferred tax assets	422	336

Deferred tax liabilities

Financial instruments measured at fair value through profit or loss	(318)	(1,525)
Total deferred tax liabilities	(318)	(1,525)
Net deferred tax asset/(liability)	104	(1,189)

The movements in temporary differences during the year are:

	Beginning of year	Recognised in income	End of year
	\$'000	\$'000	\$'000
At 30 June 2020			
<i>Deferred tax assets</i>			
Net change in other assets/liabilities	336	86	422
Net deferred tax assets	336	86	422
<i>Deferred tax liabilities</i>			
Net change in fair value of financial instruments	(1,525)	1,207	(318)
Net deferred tax liabilities	(1,525)	1,207	(318)
At 30 June 2019			
<i>Deferred tax assets</i>			
Net change in other assets/liabilities	7	329	336
Net deferred tax assets	7	329	336
<i>Deferred tax liabilities</i>			
Net change in fair value of financial instruments	(682)	(843)	(1,525)
Net deferred tax liabilities	(682)	(843)	(1,525)

11. Other items

(a) Other operating expenses

		2020	2019
	Note	\$'000	\$'000
Trustee fees and reimbursements	16(a)	135	135
Audit fees	17(a)	37	41
Promoter fees	16(e)	574	741
Other general operating expenses		36	41
		<u>782</u>	<u>958</u>

(b) Sponsorship and advertising

The primary services of the promoter include sponsorship and marketing activities.

12. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Cash at bank	11,535	8,903
	<u>11,535</u>	<u>8,903</u>

13. Reconciliation of profit/(loss) after income tax to net cash

	2020	2019
	\$'000	\$'000
Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities		
Operating result after tax	(27)	(708)
Adjustments for:		
Trust distributions reinvested	(2,255)	(4,340)
Investment manager fee rebates reinvested	(2)	(36)
Net changes in fair value of financial instruments	5,516	(6,258)
Net benefits allocated to defined contribution members	(1,532)	8,818
Change in operating assets and liabilities		
Decrease in trust distributions receivable	57	1,745
(Increase)/decrease in receivables	15	(10)
Increase/(decrease) in income taxes payable	(7)	293
(Increase)/decrease in deferred tax assets	(1,289)	514
Decrease in payables	(138)	(387)
Net cash inflow/(outflow) from operating activities	<u>338</u>	<u>(368)</u>

14. Commitments

There are no commitments the Trustee is aware of as at 30 June 2020 and 30 June 2019.

15. Contingent liabilities and contingent assets

There are no outstanding contingent assets or liabilities as at 30 June 2020 and 30 June 2019.

16. Related party transactions

(a) Trustee

The Trustee of max Super is Tidswell Financial Services Ltd, ABN 55 010 810 607, AFSL 237628, RSE L0000888.

Amounts paid to the trustee in form of fees and reimbursements are disclosed in note 11(a).

As at 30 June 2020, \$11,000, (30 June 2019: \$12,053) was payable to Tidswell Financial Services Ltd and is included in Payables in the statement of financial position.

(b) Directors

Key management personnel includes persons who were directors of Tidswell Financial Services Ltd at any time during the financial year as follows:

Michael John Terlet AO	Non-Executive Director - Chairman	Appointed 19 April 1991
Ronald Peter Beard	Executive Director	Appointed 20 August 2012
Fiona McNabb	Non-Executive Director	Appointed 29 September 2017
Stephen Miller	Non-Executive Director	Appointed 29 September 2017, Resigned 25 February 2020
Andrew Peterson	Executive Director	Appointed 20 March 2018

None of the directors were members of the Fund.

(c) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

(d) Key management personnel compensation

There have been no transactions between the Trustee and the Fund other than the trustee fees disclosed in note 11(a). The directors of the Trustee do not receive remuneration directly from the Fund.

(e) Other entities with significant influence over the Fund

Promoters

The promoter of the max Super and Good Super divisions is Mammatus Pty Ltd (ABN 74 101 393 435). Under the terms of the Trust Deed the Promoter is entitled to receive compensation for services provided to the Division. The promoter fee paid and payable at 30 June 2020 amount to \$574,437 net of GST (2019: \$ 740,917). At reporting date, there was an amount payable to the Promoter of \$3,949 (2019: \$95,491) and is included in Payables in the Statement of Financial Position.

The Promoter of the NEOS Super Plan is Australian Life Development Pty Ltd (ABN 96 617 129 914). The promoter does not receive any direct remuneration from the Fund.

17. Remuneration of auditors

(a) Remuneration of auditors

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

	2020	2019
	\$	\$
BDO Audit		
Audit and review of financial statements	31,350	-
Regulatory audit services	10,450	-
KPMG		
Audit and review of financial statements	(5,225)	38,665
Regulatory audit services	-	8,360
PricewaterhouseCoopers		
Audit and review of financial statements and regulatory audit services	-	(5,578)
Total auditors' remuneration	<u>36,575</u>	<u>41,447</u>

(b) Over accrual of fee payable

The actual fee payable to KPMG was \$5,225 lower than the amount accrued at 30 June 2019.

18. Events occurring after the reporting period

On 22 September 2020, the Board has provided in principle an approval for Successor Fund Transfer of the Fund to Smartsave 'Members Choice' Superannuation Master Plan (Smartsave) pending satisfactory completion of all required due diligence.

The Australian Government made several changes to super as part of its economic response to the COVID-19 pandemic. The most notable was a temporary change to the early release of super rules allowing individuals affected by COVID-19 to apply to access up to \$10,000 of their superannuation in 2019/20 and a further \$10,000 in 2020/21.

For the year ended 30 June 2020, the Fund paid out \$3.4 million in benefits to members seeking early access to their super.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as at 30 June 2020 or on the results and cash flows of the Fund for the year ended on that date.

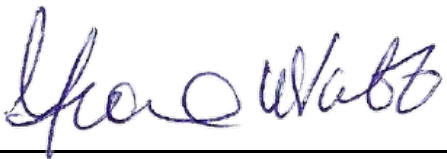
Trustee's Declaration

In the opinion of the directors of the Trustee of max Super Fund:

- (a) the accompanying financial statements and notes set out on pages 3 to 19 are in accordance with:
- (i) Australian Accounting Standards and other mandatory professional reporting requirements, and
 - (ii) present fairly the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date,
- (b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and its accompanying Regulations; the relevant requirements of the Corporations Act 2001 and Regulations; the requirements under section 13 of the Financial Sector (Collection of Data) Act 2001, during the year ended 30 June 2019, and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 30th day of September, 2020

Signed in accordance with a resolution of the directors of the trustee company, Tidswell Financial Services Ltd (ABN 55 010 810 607)



Director
Fiona McNabb



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REPORT

max Super Fund ABN 22 508 720 840 (RSE)

Report by the Registrable Superannuation Entity's Auditor to the trustees and members

Opinion

I have audited the financial statements of max Super Fund (the RSE) comprising the statement of financial position as at 30 June 2020, the income statement, the statement of changes in members' benefits, the statement of changes in reserves and the statement of cash flows for the year then ended and the trustee's declaration.

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

Basis for opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter - Basis of preparation

We draw attention to Note 2 of the financial report, which states that the financial report of max Super Fund has been prepared on a liquidation basis given the Director's intention to wind up the fund. Our opinion is not modified in respect of this matter.

Responsibilities of the trustee for the financial statements

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

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless the trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercised professional judgment and maintained professional scepticism throughout the audit. I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RSE's internal control
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my auditor opinion. My auditor conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the RSE to cease to continue as a going concern
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

BDO Audit Pty Ltd

BDO



James Dixon
Director

Melbourne, 30 September 2020