

ANNUAL REPORT

2016 -17

MISSION

State Super's mission is to provide high quality superannuation services to members to maximise their superannuation benefits and to support the NSW Government in meeting its funding objective.

GLOSSARY

- **ECPI** means Exempt Current Pension Income.
- **Executive** means the executive staff of State Super.
- **Mercer** means Mercer Administration Services (Australia) Pty Limited (formerly known as Pillar).
- **PSS** means Police Superannuation Scheme.
- **SANCS** means State Authorities Non-contributory Superannuation Scheme.
- **SASS** means State Authorities Superannuation Scheme.
- **SAS Trustee Corporation Pooled Fund** (also referred to as the STC Pooled Fund or Fund) means the amalgamated fund of the State Super Schemes referred to in s. 81 of the *Superannuation Administration Act 1996*.
- **StatePlus** means State Super Financial Services Australia Limited (trading as StatePlus), which was wholly owned by State Super as an asset held within the State Super Pooled Fund until June 2016.
- **SSS** means State Superannuation Scheme.
- **State Super** means SAS Trustee Corporation.
- **STC** means SAS Trustee Corporation.
- **TCorp** means New South Wales Treasury Corporation.
- **Trustee Board** means the Board of State Super, appointed under s. 69 of the *Superannuation Administration Act 1996*.

2016–17 HIGHLIGHTS

- The State Super Pooled Fund is one of the largest superannuation funds in Australia with assets totalling more than \$42.0 billion (excluding the Employer Sponsor Receivable) at 30 June 2017.
- The Pooled Fund's net investment revenue for 2016–17 exceeded \$3.9 billion.
- The Trustee Selection Strategy for the Pooled Fund earned net investment revenue that resulted in an estimated effective average rate of return credited to Crown employers of 10.5% (after adjustment for exempt current pension income tax). In addition, the Trustee credited a 9.0% return to members in the Growth Strategy (after tax).
- At 30 June 2017, Fund assets (excluding the Employer Sponsor Receivable) covered 71% of accrued liabilities (actuarially measured using the assumed earning rate of the Fund).
- Major legislative changes came into effect on 1 July 2017 – including changes to concessional or pre-tax contributions, non-concessional or after-tax contributions and pension accounts. Targeted campaigns were delivered focusing on the legislation and its impacts to members.
- State Super's annual member satisfaction rating from the 2016 survey was eight out of 10, significantly more than the national average. State Super continues to outperform its peers in eight out of nine of the individual service areas.
- Member publications including SuperViews and Pension Newsletters were produced to inform, educate and engage members on the State Super schemes. An additional newsletter specifically addressing the impact of the new legislation for Pensioners was produced this year.
- An improvement programme was initiated to upgrade the State Super website and provide an effective portal for members to access information and services.
- StatePlus provided more than 24,000 financial planning appointments with State Super members or their relatives.
- State Super finalised the Administration Agreement with Pillar prior to the sale of Pillar to Mercer in December 2016.
- JP Morgan was appointed as the custodian for the combined investment funds of TCorp, iCare and State Super.
- State Super successfully managed the transition to the Government Sector Employment (GSE) Act and implemented and recruited to the new executive structure in line with the GSE.

Report to the Minister

October 2017

The Hon. Dominic Perrottet, MP
NSW Treasurer
GPO Box 5341
SYDNEY NSW 2001

Dear Minister,

We have pleasure in submitting to you the Annual Report of the SAS Trustee Corporation covering the period 1 July 2016 to 30 June 2017, for presentation to Parliament.

The Annual Report contains reports for:

- SAS Trustee Corporation
- SAS Trustee Corporation Staff Agency
- SAS Trustee Corporation Pooled Fund
- controlled entities of the SAS Trustee Corporation Pooled Fund¹, being:
 - A-Train Unit Trust
 - Alfred Unit Trust
 - Buroba Pty Limited
 - EG Core Plus Fund No.1 (Head Trust)
 - EG Core Plus Fund No.1 Holding Trust No.1
 - EG Core Plus Fund No.1 Holding Trust No.2
 - EG Core Plus Fund No.1 Holding Trust No.3
 - EG Core Plus Fund No.1 Holding Trust No.4
 - EG Core Plus Fund No.1 Holding Trust No.5
 - EG Core Plus Fund No.1 Holding Trust No.6
 - EG Core Plus Fund No.1 Holding Trust No.7
 - EG Core Plus Fund No.1 Holding Trust No.8
 - EG Core Plus Fund No.1 Ownership Trust No.1
 - EG Core Plus Fund No.1 Ownership Trust No.2
 - EG Core Plus Fund No.1 Ownership Trust No.3
 - EG Core Plus Fund No.1 Ownership Trust No.4
 - EG Core Plus Fund No.1 Ownership Trust No.5
 - EG Core Plus Fund No.1 Ownership Trust No.6
 - EG Core Plus Fund No.1 Ownership Trust No.7
 - EG Core Plus Fund No.1 Ownership Trust No.8
 - IPG Unit Trust
 - LBC Unit Trust
 - Pisco STC Funds Unit Trust No.1
 - Pisco STC Funds Unit Trust No.2
 - Project Cricket State Super Unit Trust
 - Southern Way Unit Trust
 - State Infrastructure Holdings 1 Pty Ltd
 - State Infrastructure Trust
 - Valley Commerce Pty Limited

These have been prepared in accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983*, associated regulations and the Treasurer's directions.

We look forward to working with you during the coming year.

Yours sincerely



Nicholas Johnson
Chairperson of the Trustee Board
SAS Trustee Corporation



Claire Keating
Board member and Chairperson,
Risk, Audit and Compliance Committee
SAS Trustee Corporation

¹ The financial statements of controlled entities of the State Super Pooled Fund are included in Part H of the Annual Report. Further information on these entities can be provided on request.

Annual Report: 2016-17

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Part A

About State Super

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Chairperson's report

State Super delivered excellent financial performance in the 2016-17 financial year while completing an extensive restructuring of its internal organisation and negotiating a comprehensive set of new contractual arrangements with key outsource service providers. These excellent outcomes have benefited both the members of the State Super funds, and the various participating NSW State Government institutions.

These results reflect the commitment and determination of the State Super executive team coupled with the strong continuing support of the NSW Government.

Moving into 2017-18, the global financial markets are much more challenging and I do not anticipate such strong overall financial performance in the upcoming year. However, the Trustee is optimistic that the funds will deliver outcomes that meet our annual long-term investment return targets. Achieving this goal will be greatly helped by our new relationship with TCorp which acts as our prime financial adviser. The Trustee has delegated to TCorp high levels of authority over the day to day investment decisions in relation to the Trustee Selection strategy and associated transaction execution processes, which is resulting in tangible efficiency gains in investment performance.

Investment performance

Financial markets broadly performed strongly over the 2016-17 financial year despite significant geopolitical uncertainty. The Trustee was pleased with the overall return of 9.5% (10.5%)¹ which was substantially above the target return of CPI +4.5% for the Trustee Selection investment strategy. The Member Investment Choice strategies performed similarly significantly above their various target return benchmarks.

The Trustee Selection and Member Investment Choice strategies (excluding cash) continued to benefit from an active tilting process during the year, to capture the strength of the market whilst protecting against significant market falls.

GSE Act implementation

State Super successfully finalised the transition to a NSW Government Sector Employment (GSE) compliant organisational structure before the end of the 2015-16 calendar year. A subsequent realignment of the non-executive structure was completed in February 2017 and since then most of the resulting vacant positions have been filled.

The Board is sensitive to the need to ensure that the strong member-oriented culture within State Super is maintained during the introduction of various new personnel. Consequently, the Board is working closely with management to continue to focus on ongoing training of new employees.

Evidence to date, as highlighted in the member engagement statistics below, is that the new organisation team and structure is performing strongly.

Member engagement

State Super has continued to deliver quality services to our members; our member satisfaction ratings again outperformed the market. Our overall member research results were maintained at a rating of 8.0 (out of 10), significantly more than the national average of 7.7.

Satisfaction with investment performance is much higher than the previous 2 years with a rating of 7.7. Importantly, overall satisfaction with the member services we deliver, such as the face-to-face seminars has increased from 8.0 to 8.5 this year, substantially more than the national average of 7.2.

StatePlus— ongoing relationship

I am pleased to confirm that the sale of StatePlus to First State Super has continued the beneficial working relationship with StatePlus.

We continue to work with StatePlus on a number of key joint member initiatives to deliver access to the best financial planning and advice services to State Super members.

Key Service provider updates

PricewaterhouseCoopers (PwC) was appointed before financial year end as our new actuary effective 1 August 2017 with a five-year contract. PwC is an active participant in the superannuation industry and a leading advisor to industry, public sector and corporate funds in Australia.

In addition, the selection process in relation to the Single Custodian Project was completed with the appointment of JP Morgan as common custodian for the Pooled Fund.

Board changes

This year also marked the end of George Venardos' term as an Employer Representative in November 2016. I thank George for his valued contribution to the Board as well as Chairing the Risk, Audit and Compliance Committee (RACC) where he was instrumental in delivering broader and more robust risk frameworks.

I would also like to welcome Claire Keating to the State Super Board. Claire was appointed as an Employer Representative in November 2016 and brings with her over 25 years' experience in superannuation and funds management.

¹ after adjustment for exempt current pension income tax

In closing, I congratulate State Super's CEO John Livanas, as well as all our colleagues who have delivered fundamental change at the same time as working to meet our members' expectations.

On behalf of the State Super Board, I thank them for their commitment.

A handwritten signature in black ink, appearing to read 'Nicholas Johnson', with a horizontal line underneath.

Nicholas Johnson
Chairperson
October 2017

Chief Executive Officer's report

In 2016-17 the State Super funds exceeded their investment objectives and were well ahead of our target for the 3 and 5-year periods. This has led to significant additional financial benefits to members and to employer sponsors.

Given that the funds State Super manages have been closed for some time, the profile of the funds is such that much more is paid out than there are contributions received. This means that, while percentage returns are important, the sequence of those returns is crucial. An early loss before some members have taken their money is more impactful than one much later – even when the average return is the same. As such, the portfolio needs to be managed so as to reduce the impact of falling investment markets. This approach succeeded in delivering greater dollar outcomes over the last five years.

Equally, this was a year when many members, having contributed much of their working lives for the public good, were transitioning, either to State Super's lifetime pension, or taking a lump sum. During this period, when an increasing proportion of our members are retiring, we have nevertheless achieved an equal highest overall satisfaction for State Super's services. This during a period where there has been a change in ownership of our Administrator from Pillar to Mercer Administration Services.

We can be extremely proud of these achievements in investments and member services, which are ever more remarkable by the fact that, as a result of the GSE, some 50% of State Super employees exited the organisation and new employees joined the organisation.

Key Milestones

Some of the key achievements included:

Risk/Reward

As noted, the investment performances of all the diversified investment options (with the exception of the cash option) exceeded their benchmark return over one, three and five years ending 30 June 2017. Of particular interest, is that the portfolio construction has been such that, in falling markets, the options will lose proportionately less than they gain in rising markets. This is crucially important for members with lump sum benefits on retirement.

Delivery of member experiences

Our continuing research program has shown that for 2016-17, member satisfaction scores exceeded peer group as assessed by independent research, with overall member satisfaction score rated at 8.0. This is equal to our highest score and equal to that achieved last year.

We have improved our online delivery of member education to complement the contact members have in interviews, the contact centre and seminars.

Interestingly, over 55-year olds are the fastest growing segment of the population taking up online services and

we will be developing more material over the next few years to suit those members who use online media.

We have continued with targeted campaigns that have messages tailored to the specific needs of State Super members given their age, length of service and nature of work, to provide them with a better understanding of their entitlements. The response to these programs has been encouraging.

We have also communicated to members the potential impacts arising from the Commonwealth superannuation changes, which may affect those members with balances over \$1.6m. Because of specific idiosyncrasies in our Acts, we have requested urgent scheme legislative amendments to respond to these changes.

Governance framework

A recent Board and governance review provided a strong positive report. We have started implementing a greater rigour in our internal documentation and communication within a formally accepted delegation framework. What this means, is that the Board is better able to focus on governance matters while confident that the responsibilities and reporting of the organisation are clearly delineated.

Heads of Government Agreement

Under the Heads of Government Agreement (HOGA), State Super is required to comply with the Commonwealth's retirement incomes policy to the best of our endeavours. We review our conformance annually and have confidence that State Super continues to meet this requirement. During 2017-18 we will again conduct a comprehensive review of our internal operations to ensure we maintain the highest standards of compliance with HOGA.

Positive stakeholder relationships

We have been introducing an enhanced engagement framework to maintain and improve our positive relationships with our key stakeholders which include NSW Treasury, the various employers contributing to the funds, and the NSW Auditor General to name a few.

We have also started the important work of building closer ties and engagement with representatives of members and of the industry more widely.

Operating model and workforce

Over the last few years, our strategy has called for an increase in the proportion of services outsourced by State Super, believing this to be the most effective way to manage our fund in its stage of existence.

As at the end of 2016-17, the proportion of costs which are outsourced in running the fund has increased by a few percentage points to 95%. The proportion may well grow over the next 5 years.

On this basis, we need a small but highly skilled and experienced team of professionals to provide the direction, oversight, and to maintain the intellectual property that is required for the benefit of the members and to prosecute our strategies. We also need to

maintain a very high level of experience and skills to ensure that the Trustee obligations to members continue to be met.

Environmental Social and Governance (ESG) Considerations

State Super has been an advocate of utilising ESG considerations in investments for some time. We consider that we are 'universal owners' of many organisations. By this we mean that State Super is likely to be a continual substantial shareholder of many of Australia's largest organisations. As such we consider that it is appropriate to engage positively with these organisations, including through voting the fund's shares.

As a foundation member of the Australian Council of Superannuation Investors, State Super supports a body that actively engages with many of Australia's largest companies, and as a member of the Principles of Responsible Investing (PRI), and the Investor Group on Climate Change, the fund continues to support sustainable investments for the long term.

Finally, I would like to thank my Chair, the State Super Board and all our staff for their commitment and hard work over the last year, which has helped us to achieve our stated strategic objectives during a time of great change.



John Livanas
Chief Executive Officer
October 2017

Overview of State Super

SAS Trustee Corporation (STC) is a statutory body representing the Crown, and incorporated under the *Superannuation Administration Act 1996 (NSW)* (SA Act).

As trustee of the four NSW superannuation schemes within the public sector, State Super oversees the:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS), and the
- State Authorities Non-contributory Superannuation Scheme (SANCS).

Assets

The State Super Pooled Fund, which comprises the assets of all four schemes, had net assets of approximately \$42.0 billion at 30 June 2017.

Membership

With 106,070 members at 30 June 2017, the State Super Schemes are closed to new members and a large portion of the membership has reached or is approaching retirement age.

The following table contains a summary of each scheme.

State Authorities Superannuation Scheme (SASS)

Commencement	1 April 1988, under the <i>State Authorities Superannuation Act 1987</i> .
Scheme eligibility	New employees in the NSW public sector were eligible to join the scheme and members of the Public Authorities Superannuation Scheme (PASS) were transferred to SASS from 1 April 1988. By 1990, a number of other public sector superannuation schemes were closed and members were transferred to SASS. The schemes transferred included the State Public Services Superannuation Fund (SPSSF), the Transport Gratuity Scheme and the Government Railways Superannuation Fund, among others.
Closed to new members	19 December 1992
Members at 30 June 2017	Contributing members: 23,394 Deferred benefit members: 9,852 Pension members: 4,353 Total members: 37,599
Financial position at 30 June 2017	Net assets: \$13,358 million Accrued benefits: \$14,597 million* Unfunded liabilities: \$1,239 million
Member benefits	Lump sum of employee contributions accumulated with earnings, plus an employer-financed, lump sum defined benefit based on final average salary, membership period and level of employee contributions.

State Superannuation Scheme (SSS)

Commencement	1 July 1919, under the <i>Superannuation Act 1916</i> .
Scheme eligibility	Salaried employees of the NSW public service and teaching service were eligible to join SSS, as well as a number of statutory authorities scheduled in the <i>Superannuation Act 1916 (NSW)</i> .
Closed to new members	1 July 1985
Members at 30 June 2017	Contributing members: 4,219 Deferred benefit members: 1,607 Pension members: 54,934 Total members: 60,760

*Accrued benefits as measured by the actuary using the assumed earning rate of the Fund as the discount rate. Accounting standards require employers to report accrued benefits in their financial statements using a risk-free discount rate that results in a higher estimate of accrued benefits.

State Superannuation Scheme (SSS) continued

Financial position at 30 June 2017	Net assets: \$22,626 million Accrued benefits: \$34,787 million* Unfunded liabilities: \$12,161 million
Member benefits	On retirement, a defined benefit (pension or lump sum), the amount of which depends on the number of units purchased. Members contribute towards fortnightly pension units throughout their membership. The number of units members are entitled to contribute toward is determined by their salary. Contributions that members make depend on their age, when the units were granted, the member's gender and, if female, whether they elected to retire at age 55 or 60.

Police Superannuation Scheme (PSS)

Commencement	1 February 1907 under the <i>Police Regulation (Superannuation) Act 1906</i> .
Scheme eligibility	Members of the NSW Police Service employed prior to 1 April 1988.
Closed to new members	1 April 1988
Members at 30 June 2017	Contributing members: 1,043 Deferred benefit members: 99 Pension members: 6,569 Total members: 7,711
Financial position at 30 June 2017	Net assets: \$4,661 million** Accrued benefits: \$7,402 million* Unfunded liabilities: \$2,741 million
Member benefits	On retirement, a defined benefit (pension or lump sum), the level of which depends on the member's final average salary and membership period.

State Authorities Non-contributory Scheme (SANCS)

Commencement	1 April 1988 under the <i>State Authorities Non-contributory Superannuation Act 1987</i> .
Scheme eligibility	Members of SASS, SSS and PSS.
Closed to new members	19 December 1992
Members at 30 June 2017	Current active members: 28,653 Deferred benefit members: 10,899 Total members: 39,552
Financial position at 30 June 2017	Net assets: \$1,499 million Accrued benefits: \$2,367 million* Unfunded liabilities: \$868 million
Member benefits	SASS, SSS and PSS members receive the SANCS benefit in addition to their main scheme benefit. The SANCS benefit is 100% employer-funded. The benefit is generally a lump sum of up to 3% of members' final salary or final average salary, for each year of service from 1 April 1988 (or, if later, the employment commencement date).

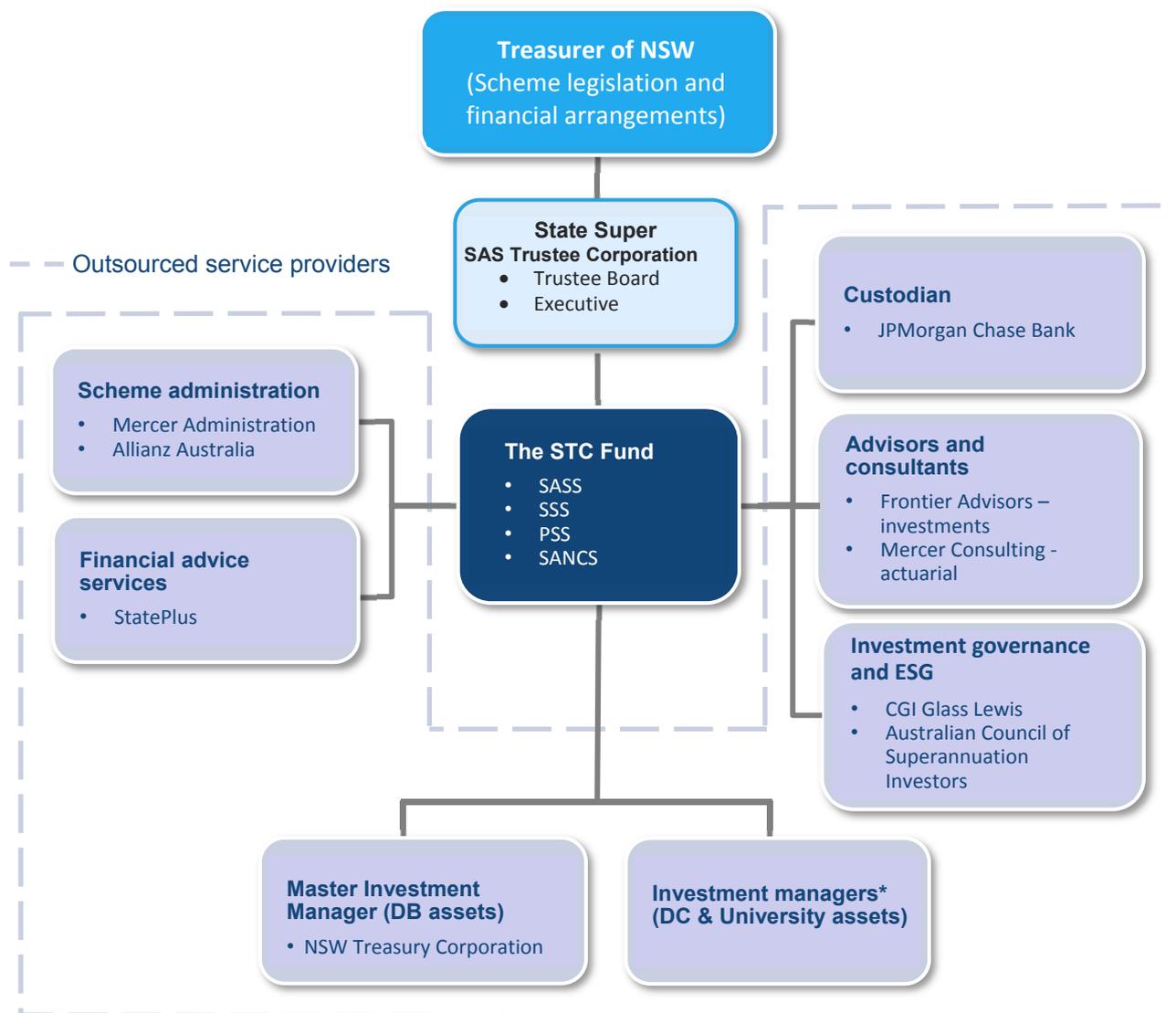
*Accrued benefits as measured by the actuary using the assumed earning rate of the Fund as the discount rate. Accounting standards require employers to report accrued benefits in their financial statements using a risk-free discount rate that results in a higher estimate of accrued benefits.

** Excludes Employer Sponsor Receivable

Organisational structure

State Super operates under the *Superannuation Administration Act 1996* (SA Act) which establishes its functions, duties, powers and obligations. The SA Act also specifies requirements regarding Trustee Board composition and appointments. The minister responsible for the administration of the SA Act is the Treasurer of NSW, who also has powers to monitor the operations of State Super.

State Super's operational arrangements at 30 June 2017 are set out below:



* Refer to pages 44 and 45 for a full list of investment managers at 30 June 2017.

Trustee Board

Function and role of State Super

The principal functions of State Super as set out in s. 50(1) of the SA Act are to:

- administer the State Super schemes
- invest and manage the Pooled Fund
- provide for the custody of the assets and securities of the State Super schemes
- ensure that benefits payable to persons entitled to receive benefits under the State Super schemes are paid in accordance with the Acts under which the schemes are constituted
- determine disputes under those Acts
- exercise such other functions regarding the State Super schemes and the Pooled Fund as the Minister may, from time to time, approve by order in writing.

State Super is required by the SA Act to outsource the following principal functions for the State Super schemes:

- scheme administration services
- investment management services
- custodian services

Under s. 69(5) of the SA Act the State Super Board (Trustee Board) manages and controls the affairs of State Super. The role of the Trustee Board extends to strategy, corporate governance, risk management, policy making and monitoring. Accordingly, the Board is responsible for:

- monitoring the State Super schemes and the Pooled Fund, including the control and accountability systems
- appointing and removing the Chief Executive
- providing input to, and final approval of, the long-term strategy for the State Super schemes and annual Corporate and Business Plan
- approving and monitoring the annual budget and any extraordinary expenditure
- approving and monitoring State Super's risk management, compliance and control systems and policies
- approving and monitoring policies and procedures for the management of the Fund, including:
 - business plans, policies and processes for the proper direction, control and performance measurement of the Fund
 - standards to assess the performance of State Super's service providers
- setting the objectives, strategies and risk approval for investments, approving major investment decisions and monitoring and assessing investment performance
- approving and monitoring State Super's governance procedures for the Trustee Board and the staff of State Super, including work, health and safety, and the Code of Conduct and Ethics
- monitoring the performance of the Pooled Fund, the Trustee Board, State Super management and State Super's service providers.

Trustee Board member profiles

Nicholas Johnson – Chairperson

Appointed June 2015

Mr Johnson has extensive experience in financial services management in Australia and overseas. He retired from Barclays Capital in 2012 after serving as Chief Executive Officer for Australia between 1998–2009 and as Managing Director, Senior Relationship Management. He had previously held senior positions with the Commonwealth Bank, Morgan Stanley, and Credit Suisse. His financial sector experience includes roles as Head of Operations and of IT systems development in major investment banks as well as extensive involvement with investing in infrastructure and energy sectors.

He is currently Chairman of the Sydney Institute and of the National Art School. His previous appointments include Chairman of Pillar Administration (a provider of administrative services to the superannuation industry, including to State Super) and an Advisory Board Member of the North West Rail Link project.

Mr Johnson holds a Master of Arts from Oxford University and is a member of the Australian Institute of Company Directors.

Catherine Bolger – Employee Representative

Professionals Australia

Appointed September 2015

Ms Bolger has extensive experience as a professional trustee director, having served on a range of industry fund and related boards for the last 15 years. She is currently a Director of Professionals Australia and a Director of the Australian Institute of Superannuation Trustees and a trustee of UnionsNSW.

Ms Bolger is also non-executive Director of Powercoal Employees' Entitlements Fund and also a member of the Insurance in Superannuation Industry Working Group.

Ms Bolger holds a Bachelor of Economics and a Master of Labour Law and Relations from the University of Sydney, an RG146 Qualification and Super Springboard Level 1 from the Australian Institute of Superannuation Trustees. She is also a Graduate Member of the Australian Institute of Company Directors.

Alex Claassens – Employee Representative

NSW Rail, Tram and Bus Union

Appointed November 2012; reappointed November 2016

Mr Claassens is currently State Secretary and National Executive Member of the NSW Rail, Tram and Bus Union. He has a passion for the transport industry, having begun his career driving trains on the NSW rail network.

He is an experienced board member having held numerous positions including Director of Encompass Credit Union where he was involved with their merger with Select and subsequently reappointed to the merged organisation, Select Encompass. Mr Claassens has also been part of the Sydney Alliance Community Building Board since 2013. He was an employee representative Board Member of State Super Financial Services and was also involved in their transition to becoming StatePlus.

He is a member of ASFA and the Australian Institute of Company Directors.

Mr Claassens still drives passenger trains and heritage steam locomotives on a regular basis.

Swati Dave – Employer Representative

Company Director

Appointed May 2016

Ms Dave is the Managing Director and CEO of Export Finance and Insurance Corporation.

She is an experienced senior banking executive and non-executive director with an established track record of successfully leading and growing complex P&L businesses in Australia, the UK, Hong Kong and Singapore.

Ms Dave has over 30 years' banking and finance experience across a number of sectors including infrastructure, energy and utilities, renewable energy and property. She has held senior positions at National Australia Bank, Deutsche Bank, AMP Henderson Global Investors, Bankers Trust and Westpac.

Ms Dave currently serves on the boards of Australian Hearing and Asia Society Australia. She has served as a former director of Great Western Bancorp Inc. (USA) and the NAB Wealth Responsible Entities Boards which comprised; MLC Investments Limited, Navigator Australia Limited, Antares Capital Partners Limited and National Asset Management Limited.

Ms Dave holds a Bachelor of Commerce from the University of Newcastle and is a Graduate Member of the Australian Institute of Company Directors and the Australian Institute of Superannuation Trustees.

Claire Keating – Employer Representative
Company Director
Appointed November 2016

Ms Keating is an experienced non-executive director and independent consultant with over 25 years' experience in superannuation and funds management.

She was formerly a registered company auditor and partner of PricewaterhouseCoopers (2002-2016) and her roles at PwC included leader of the Melbourne Financial Services Assurance practice and National leader of the Investment Management Assurance practice. She is also a former director of the PwC Superannuation Fund.

Ms Keating is a director of Yooralla (Disability), CARE Super, the NAB Wealth Responsible Entity Boards comprising MLC Investments Ltd, Navigator Australia Ltd, Antares Capital Partners Ltd and National Asset Management Ltd and is a Board Member of the Judicial Commission of Victoria.

She holds a Bachelor of Business (Accountancy) from RMIT, a Diploma in Superannuation Management from ASFA and Macquarie University, is a Chartered Accountant and a Graduate Member of the Australian Institute of Company Directors.

George Maniatis – Employee Representative
NSW Fire Brigade Employees' Union
Appointed September 2015

Mr Maniatis is currently Senior Industrial Officer for the Fire Brigade Employees' Union (FBEU) of New South Wales, where he has worked since 2000. He has over 25 years' experience in the union movement, mainly as an Industrial Officer and advocate appearing before State and Federal industrial tribunals and courts.

He was involved in the creation and establishment of NSW Fire Brigades Superannuation Pty Limited, the corporate trustee of the NSW Fire, Death and Disability Super Fund, including drafting the trust deed on behalf of the FBEU, and was the union-nominated Director of the Trustee from 2005 to 2007.

Mr Maniatis holds a Bachelor of Economics and Master of Labour Law and Relations degree from the University of Sydney, and a Bachelor of Laws degree from the University of Technology, Sydney. He was admitted as a legal practitioner of the Supreme Court of New South Wales in 2003.

Karen Moses – Employer Representative
Company Director
Appointed March 2012; reappointed March 2016

Ms Moses is a Non-Executive Director of Boral Limited (since March 2016), Sydney Symphony Limited, Sydney Symphony Holdings Pty Limited (since December 2015), Sydney Dance Company (since May 2012), Charter Hall Limited, Charter Hall Funds Management Limited (2016) and Orica Limited (2016).

Ms Moses has over 30 years' experience in the energy industry spanning oil, gas, electricity and coal commodities, upstream production, supply and downstream marketing operations in Australia and overseas. She is a former Director of Origin Energy Limited (2009–15) and a number of its subsidiaries (2016), Australia Pacific LNG Pty Limited (2005–16), Contact Energy Limited (2004–15), Australian Energy Market Operator Limited (2008–12), Energy and Water Ombudsman (Victoria) Limited (2005–10), VENCORP (2004–09) and Energia Andina S.A. incorporated in Chile (2013–14).

Ms Moses holds a Bachelor of Economics and a Diploma of Education from the University of Sydney.

Tony O'Grady – Employee Representative
NSW Nurses and Midwives' Association
Appointed June 2013; reappointed September 2017

Mr O'Grady is the Manager, Projects and Compliance, for the New South Wales Nurses and Midwives' Association and is responsible for the Association's finance, information technology and records departments, as well as managing insurance and a variety of compliance-related areas. He began his registered nurse training in 1982 and was employed as a nurse until joining the NSW Nurses and Midwives' Association in November 1987. He worked as an organiser, industrial officer, team manager and projects manager for the Association before commencing his current role in 2006.

Mr O'Grady served as a Director for Private Hospitals Superannuation Pty Limited – the Trustee for the Health Industry Plan – between 2005 and 2010. He was also a Director of StatePlus (formerly State Super Financial Services) between May and November 2015. Mr O'Grady holds a Graduate Diploma in Employment Relations from the University of Technology, Sydney and a Certificate in Nursing, which he completed at Royal North Shore Hospital.

Roslyn Ramwell – Employer Representative

Company Director

Appointed June 2015

Ms Ramwell was the CEO of the Harwood Superannuation Fund, a large corporate fund for 12 years. She has more than 20 years' experience in superannuation in both Government and private sectors, and has also worked for QSuper and the Insurance and Superannuation Commission (now APRA).

Ms Ramwell is a Director of StatePlus and TAL Superannuation Limited and chairs its Audit Compliance and Risk Management Committee as well as its Remuneration Committee. She is a Life Member of the Association of Superannuation Funds of Australia Limited, having served as a director for 12 years and chaired its Finance & Risk Committee for six years.

Ms Ramwell has a Bachelor of Business (Accounting), is a CPA, a Chartered Secretary, an ASFA Accredited Investment Fiduciary and a Trustee Fellow. She has a Diploma of Superannuation, a Graduate Diploma in Applied Corporate Governance, and is a Graduate of the Australian Institute of Company Directors.

Former Trustee Board members

George Venardos – Employer Representative

Company Director

Appointed November 2012; term ended 4 November 2016

Mr Venardos has a Bachelor of Commerce from the University of New South Wales and is a Chartered Accountant.

Trustee Board membership and meeting attendance

The Trustee Board consists of a Chairperson, four employer representatives and four employee representatives nominated by Unions NSW. All Trustee Board members are appointed by the Minister on a part-time basis. *

Trustee Board memberships and the current term of appointment for each member during the 2016–17 reporting period are listed in the table below.

	Appointed	Term end date	Meetings attended during 2016–17 (actual / possible)
Mr N Johnson (<i>Chairperson</i>)	26 Jun 2015	25 June 2019	8 / 10
Employee representatives			
Mr A Claassens	5 Nov 2012	4 Nov 2020	9 / 10
Mr T O'Grady***	24 Jun 2013	23 Jun 2017	7 / 9
Ms C Bolger	25 Sep 2015	24 Sep 2019	9 / 10
Mr G Maniatis	25 Sep 2015	24 Sep 2019	10 / 10
Employer representatives			
Ms K Moses	31 Mar 2016	30 Mar 2019	9 / 10
Mr G Venardos***	5 Nov 2012	4 Nov 2016	4 / 6
Ms R Ramwell	26 Jun 2015	25 Jun 2019	10 / 10
Ms S Dave	26 May 2016	25 May 2019	10 / 10
Ms C Keating**	10 Nov 2016	9 Nov 2019	3 / 4

*The full-time Employee Representative position was vacant at 30 June 2014 and has been replaced by a part-time position.

**During the year:

- Ms Keating was appointed as an Employer Representative

***During the year:

- Mr Venardos' term as an Employer Representative ended
- Mr O'Grady's term as an Employee Representative ended on 23 June 2017 and he was re-appointed on 14 September 2017.

Trustee Board and other committees

Investment Committee members during the reporting period

Ms Ramwell, Ms Dave and Messrs Johnson (Chairperson) and Venardos. Members of the executive and other invited visitors attend committee meetings.

Purpose

The responsibilities of the Investment Committee include:

- supporting the Trustee Board in determining and effecting the investment objectives and strategy
- monitoring the appointment or termination of investment managers for Pooled Fund investments, reviewing their performance and monitoring asset allocation
- receiving other information as may be required in order to improve the investment management decisions of State Super
- ensuring that asset and risk profile of investment options match investment strategy.

Meetings attended during 2016–17

Member	Attendance actual / possible
Mr N Johnson (Chairperson)	7 / 7
Mr G Venardos*	3 / 3
Ms R Ramwell	7 / 7
Ms S Dave*	6 / 6

*Mr Venardos' term on the Committee ended 4 November 2016. Ms Dave was appointed to the Committee on 31 August 2016.

Risk, Audit and Compliance Committee members during the reporting period

Ms Moses (Chairperson), Ms Bolger, Ms Keating and Mr O'Grady. Members of the executive, the Audit Office of New South Wales, the internal auditor and other invited visitors also attended committee meetings.

Purpose

The purpose of the Risk, Audit and Compliance Committee is to provide independent assurance and advice to the Trustee Board on State Super's:

- risk management, internal and external controls framework and compliance framework
- internal and external audit, actuarial matters
- financial reporting and accountability.

Meetings attended during 2016–17

Member	Attendance actual / possible
Mr G Venardos (Chairperson)*	1 / 1
Ms K Moses (Chairperson)*	4 / 4
Mr T O'Grady	3 / 4
Ms C Bolger	4 / 4
Ms C Keating**	1 / 1

*Mr Venardos' term on the Committee ended 4 November 2016. Ms Moses was appointed as Chairperson of the Committee following Mr Venardos' term ending. Ms Moses stepped down from the Committee and ceased to be the Chairperson of the Committee from 28 June 2017.

** Ms Keating was appointed to the Committee during the reporting period and was appointed as the Chairperson of the Committee from 28 June 2017.

Member Services Committee members during the reporting period

Messrs Claassens (Chairperson), Maniatis and O’Grady and Ms Ramwell and Ms Dave. Members of the executive, Mercer staff and other invited visitors also attended committee meetings.

Purpose

The responsibilities of the Member Services Committee include:

- making recommendations to the Board on matters relating to the administration of State Super schemes and policies affecting stakeholders
- exercising Board discretion in relation to disputes involving State Super schemes and advising and assisting the Board on other matters or functions of the Trustee in relation to disputes.
- Monitor member communications and research to assess members satisfaction with the services provided to them and how well the services meet member needs.

Meetings attended during 2016–17

Member	Attendance actual / possible
Mr A Claassens (<i>Chairperson</i>)	4 / 4
Mr T O’Grady	4 / 4
Ms R Ramwell *	1 / 1
Mr G Maniatis	3 / 4
Ms S Dave**	3 / 3

* Ms Ramwell’s term on the Committee ended 31 August 2016.

**Ms Dave was appointed to the Committee during the reporting period.

Human Resources and Nominations Committee members during the reporting period

Ms Moses, Ms Bolger and Messrs Claassens (Chairperson), Maniatis and Johnson. Members of the executive and invited visitors also attended committee meetings.

Purpose

The responsibilities of the Human Resources and Nominations Committee include reviewing, monitoring and reporting to the Trustee Board on the management of human resource governance frameworks, determine remuneration structure and levels of staff, determine any performance criteria for the Executive and review, monitor and report on human resource obligations under relevant policies, including the Code of Conduct and Ethics and the Protected Disclosures Reporting Policy.

Meetings attended during 2016–17

Member	Attendance actual / possible
Mr A Claassens (<i>Chairperson</i>)	6 / 6
Ms K Moses	5 / 6
Ms C Bolger	5 / 6
Mr G Maniatis	6 / 6
Mr N Johnson*	4 / 5

* Mr Johnson was appointed to the Committee during the reporting period.

Advisory Sub-Committee members during the reporting period

Messrs Johnson (Chairperson), Claassens, and Ms Ramwell. Members of the executive and other invited visitors also attend committee meetings.

Purpose

The purpose of the Advisory Sub-Committee was to give effect to the Ministerial Order including the appointment of TCorp under a new Master Financial Services Agreement.

Meetings attended during 2016–17

Member	Attendance actual / possible
Mr N Johnson (<i>Chairperson</i>)	2 / 2
Mr A Claassens	2 / 2
Ms R Ramwell	2 / 2

Statutory Committee – Police Superannuation Advisory Committee

The committee is a statutory committee established under Part 2H of the *Police Regulation (Superannuation) Act 1906* to exercise certain powers delegated by the Trustee Board.

Members during the reporting period

This committee consists of a Chairperson appointed by the Minister, three nominees of the Police Association of New South Wales, and one nominee each from the Commissioned Officers' Branch of the Public Service Association of New South Wales, State Insurance Regulatory Authority, the Minister for Police, and State Super. The State Super nominee is a member of the State Super Executive.

Purpose

The purpose of the Police Superannuation Advisory Committee is to determine entitlement to medical discharge for members of the NSW Police Force, entitlement to 'Hurt on Duty' pension increases and other benefits under the Police Superannuation Scheme, and to advise State Super on matters relating to administration of the *Police Regulation (Superannuation) Act 1906* that are referred to it by the Trustee Board.

Meetings attended during 2016–17

Member	Attendance actual / possible
Ms R Ramwell (<i>Chairperson</i>)	11 / 12
Mr A Claassens (<i>Deputy Chairperson</i>) *	1 / 1

**Mr Claassens only attends the Committee meetings in the absence of Ms Ramwell*

State Super Executive team

The State Super Executive team comprises the Chief Executive Officer and six senior executives and is responsible for implementing State Super's corporate strategies and managing the organisation's day-to-day operational activities. Senior managers work to support the organisation to achieve its business objectives.

The State Super Executive at 30 June 2017 was as follows:



Executive team profiles

John Livanas

Chief Executive Officer

Mr Livanas leads a team of experienced senior executives managing the provision of member services and the investment of approximately \$42 billion of assets in State Super.

Mr Livanas has over 25 years' industry experience, having worked in organisations including Deloitte South Africa, the South African Government Employees Pension Fund – the precursor to the country's sovereign fund – and several Australian superannuation funds.

Prior to his appointment in October 2011, Mr Livanas was the Chief Executive Officer of AMIST Super (2008–11) and the General Manager of FuturePlus Financial Services (2002–08). He was a Director of ISPT and ISPT Grosvenor International Property Trust from 2010–12 and in August 2013 was appointed to the Board of the Australian Council of Superannuation Investors.

Mr Livanas holds a Bachelor of Science in Engineering and an MBA from the University of Witwatersrand and a Graduate Diploma of Finance and Investments from the Financial Services Institute of Australia. He is an ASFA-accredited Investment Fiduciary and a Graduate of the Australian Institute of Company Directors.

Richard Hedley

Chief Investment Officer

Mr Hedley is responsible for the design and development of State Super's investment strategies to deliver superior risk-adjusted performance returns.

With direction and oversight of all investment activities, including setting and monitoring the strategic and dynamic asset allocations for each of State Super's investment strategies, Mr Hedley is also responsible for the appointment and oversight of external investment managers and advisors and the internal investment and actuarial team.

Mr Hedley has over 20 years' experience in investment management, including 13 years with Deutsche Asset Management, specialising in Infrastructure and Private Equity investments. Mr Hedley holds a Master of Applied Finance from Macquarie University, and a Bachelor of Laws with Honours and Bachelor of Commerce from the University of Otago. He has been admitted as a Barrister and Solicitor of the High Court of New Zealand and is a Fellow of the Australian Institute of Company Directors.

Jag Narayan

Chief Risk Officer

Mr Narayan is responsible for developing and implementing the organisation's risk, compliance and internal audit strategy. The role encompasses embedding a risk culture within State Super, setting and monitoring strategic and operational risk goals and reporting to the Trustee Risk Audit and Compliance Committee and the Trustee Board.

Mr Narayan has over 18 years' experience in risk management, with more than 13 years in financial services organisations. His previous employers include the Territory Insurance Office (TIO), Insurance Australia Group (IAG), Caltex Australia and Westpac Banking Corporation. Prior to his appointment in October 2015, Mr Narayan led the Audit, Risk and Compliance function and reported to the CEO and the Audit and Risk Committee/Board of the Territory Insurance Office in Darwin.

Mr Narayan is a qualified Chartered Accountant and Certified Internal Auditor. He holds a Bachelor of Commerce (Accounting) from the University of Western Sydney.

Allan Parapuram

General Counsel and Company Secretary

Mr Parapuram provides State Super with legal and governance counsel, overseeing the legal and governance framework and secretarial matters of the Board.

Mr Parapuram is a member of the Police Superannuation Advisory Committee which determines entitlement to medical discharge for members of the NSW Police Force under the Police Superannuation Scheme, and a member of the State Super StatePlus Steering Group, the central reference point for the oversight and management of the StatePlus relationship.

Mr Parapuram has held senior legal roles at State Super for the last four and a half years and was previously Head of Legal, Risk and Compliance at Qantas Superannuation. He has more than twenty years' experience in superannuation and financial services law, trustee and investment governance, and compliance and risk management in financial services generally. Mr Parapuram holds a current legal practising certificate, a Masters in Law, a Bachelor of Law, and a Bachelor of Economics.

Nish Patel

Chief Financial Officer and GM Corporate Services

Mr Patel is the Chief Financial Officer and General Manager Corporate Services, responsible for directing and managing the financial and investment operational activities of the organisation and ensuring the implementation of overall organisational strategy.

Mr Patel has over 25 years' Senior Executive experience in funds management, investment banking and financial services. Prior to joining the organisation, he was AMP Capital's Chief Financial Officer and later Chief Operating Officer, Asia. He has held senior finance, strategy and M&A roles with leading ASX 100 companies. He commenced his career with Arthur Andersen in London and has worked extensively in Europe and Asia.

Mr Patel is a qualified Chartered Accountant and holds a Bachelor of Science (Honors) degree in Economics.

Aneesa Samuel

General Manager, Vendor Management

Ms Samuel is responsible for providing leadership, direction and oversight for the delivery of consistently high quality services by outsourced providers. This includes developing and effectively negotiating service delivery models that maximise the value to State Super and minimise financial and reputational risks. She has a focus on strategic and operational planning, governance and evaluation of service delivery performance to support the achievement of State Super's objectives.

Prior to joining State Super, Ms Samuel held executive positions in the superannuation and insurance industry and has a comprehensive understanding of the Australian superannuation environment, its operating practices and products. Ms Samuel holds a degree in education and is a qualified financial planner.

Nada Siratkov

General Manager, Member Engagement

Ms Siratkov is responsible for the development and implementation of member services and engagement strategies. This includes setting the direction of Member Engagement and ensuring that there is an integrated approach to managing the member experience. Ms Siratkov is also responsible for member product development and policy, marketing and communications, stakeholder engagement, disputes and the management of State Super's profile and brand.

Ms Siratkov is responsible for the Member Services Committee and is a member of the State Super StatePlus Steering Group.

Prior to joining State Super, Ms Siratkov held executive positions in the financial services industry including Westpac, Zurich and Aon and has an extensive understanding of the superannuation, insurance and banking environments.

Ms Siratkov holds a Bachelor of Arts from the University of Sydney and a Master of Business in Marketing from the University of Technology and is a Graduate of the Australian Institute of Company Directors.

Part B

Corporate performance

State Super's performance against Corporate Plan objectives

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State Super's performance against its Corporate Plan objectives

State Super has set five strategies for 2016-17 to 2020-21. These strategies cover the two fundamental aspects of State Super's business – investment strategy and member experience – supported by three crucial enablers – governance, stakeholder relationships and people.

State Super's 2016–17 Corporate Plan identified five key objectives for the financial year

1. **Investment.** Meet our risk/return objectives.
2. **Member.** Deliver relevant and reliable member experiences.
3. **Governance.** Maintain an effective governance framework.
4. **Stakeholders.** Maintain positive relationships with stakeholders.
5. **People.** Strengthen State Super operating model and workforce.

Overview

Challenges faced during the year include:

1. Finalise new outsourced relationship with TCorp as a result of the implementation of direction under the Ministerial Orders
2. Finalising the Common Custodian Agreement jointly with iCare and TCorp
3. Managing the implications of the acquisition of Pillar Administration by Mercer Administration Services
4. Implementing the organisational restructure to comply with the GSE and implementing a new operating model to accommodate a greater degree of outsourcing
5. Ensuring compliance with the new requirements of the ATO and APRA reporting
6. Managing the transition of a number of new Directors to the Board of State Super

1. Investment: Meet risk/reward objectives

The investment performances of all the diversified investment strategies (with the exception of the cash strategy) exceeded their benchmark return over one, three and five years ending 30 June 2017 (further details are provided in Part C). The cash option exceeded its benchmark return over the three years ending 30 June 2017 but underperformed benchmark over the one and five year periods largely as a result of the proportion of fees to the currently very low interest rates.

The Trustee continues to focus on liability management, in particular the actuarial funding ratio for the defined benefit assets and liabilities, given the current legislative target to achieve full funding by 2030.

The actuarial funding ratio is based on the Triennial Valuation, which was delivered in December 2015 and is summarised in Part F of this report, and the Asset and Liability Modelling (ALM) procured annually by the Trustee from the Scheme Actuary. The ALM includes scenario analyses showing different potential funding positions by 2030 and sensitivity to different investment return, salary, inflation and longevity assumptions. There is expected to be significant volatility regarding potential outcomes given current expected returns and the government's funding plan.

The Trustee has determined that the most appropriate approach to setting Investment Strategy for our objectives and cashflow profile is to establish a portfolio which is biased towards growth, but is less sensitive to market falls.

The Triennial Valuation and ALM also allow for detailed cash-flow projections for each of the investment strategies. These cashflow projections have allowed us to set appropriate strategic asset allocations for each of the options available to members, that aim to achieve the stated objectives while also accounting for the projected liquidity requirements of each option.

Further information about the achievement of investment return objectives for 2016–17 for each of the strategies is provided on pages 38-40 of this report.

2. Member: Deliver relevant and reliable member experiences

This year's member satisfaction scores, as assessed by independent research, again exceeded peer group with an overall member satisfaction score rated at 8.0. Satisfaction with investment performance this year is significantly higher than the scores measured during the previous two years, with a rating of 7.7.

Importantly, overall satisfaction with member services such as seminars has increased from 8.0 last year to 8.5 this year, substantially more than the national average of 7.2.

Online education has been updated with the introduction of a salary sacrifice calculator to State Super's website, improved design and search functionality.

This year saw the major legislative changes to superannuation come into effect – including changes to concessional or pre-tax contributions, non-concessional or after-tax contributions and pension accounts. An additional targeted communication programme was delivered to highlight and inform members on the potential impacts arising from these Commonwealth superannuation changes.

The member disputes process is continually being reviewed to enhance the responsiveness to member claims. The aim will be to improve this further and a review of the member experience is planned.

We continue to work on key joint member campaigns with StatePlus to give members an opportunity to understand or improve their entitlements.

3. Governance: Maintain an effective governance framework

The Board continues to be served by highly skilled people that meet the requirements of the organisation as reflected by the skills matrix and internal Board Assessments.

A formal governance and delegations framework has been established to ensure that the appropriate oversight and authorities are implemented.

The organisation continues to comply with the HOGA requirements, conforming to the Commonwealth Retirement Incomes principles to the best of our endeavors. These include the principles of Trustee Governance, Audit and Risk Management and reporting to the ATO and APRA as required.

The Funds are audited annually by the Auditor General and the outcomes of the Audit are contained in the Annual Accounts.

The capabilities of the staff are continually assessed against the skills required in the organisation and appropriate training and development programs are implemented.

State Super continues to focus on monitoring and supervising its outsourced arrangements with major changes being the appointment of TCorp pursuant to the Ministerial Orders and the re-appointment of JP Morgan as custodian for the Pooled Fund pursuant to the Common Custodian project for NSW financial entities. Oversight of our outsourced providers is consistent with the Trustee Policy on outsourcing.

4. Stakeholders: Maintain positive relationships with stakeholders

An enhanced engagement framework is in progress that will maintain and continue to improve our positive relationships with our key stakeholders, including Treasury, Employers and the NSW Auditor General.

State Super successfully managed member and media enquiries and news reports arising from the sale of StatePlus and Pillar.

We have maintained positive relationships with the ATO and APRA in relation to our requirements.

We have strong industry links through ACSI, and our participation in Industry events, such that we are exposed to contemporary industry thinking and can provide input.

5. People: Strengthen State Super operating model and workforce

The implementation of the Government Services Employment Act (GSE) during August to November 2016, required State Super to undergo a very significant restructure, which resulted in a number of senior executives and staff choosing to leave the organisation and created around 20 vacancies. The potential disruption of the organisation was successfully managed through careful planning and resource management.

A survey of employees conducted during June 2017 returned very positive results with perception of values regarding a High-Performance Culture at 87%, Employee Engagement at 80% and Communication at 93%. These results are 9 to 15 percentage points higher than for the previous survey and point to a very successful integration of new staff.

State Super's HR strategy and programs for the year ahead will continue to focus on the development of specialist skills needed to deliver the corporate plan and support State Super's longer term vision which has been set up to reflect the significantly higher proportion of outsourcing by State Super. Other key programs include a comprehensive update to State Super's Work Health and Safety practices to align with best practice; an update to the employee onboarding and induction practices, and, finalising new industrial arrangements for State Super staff as the current Section 52(1) Determination will expire 30 June 2018.

Industry specific certification and development programs, a renewed focus on employee health and wellbeing and employee engagement initiatives will be implemented throughout 2017.

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Part C

Operations overview

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Investments

This section provides an overview of State Super's investment management structure and its performance and management activities during 2016–17.

Investment management structure

On 15 June 2015, pursuant to a Master Financial Services Agreement (MFSA) TCorp became the Master Investment Manager for the Trustee Selection Strategy, which primarily invests employer funded (defined benefit) assets. The MFSA was updated to comply with the Ministerial Orders and executed in October 2016.

State Super retains responsibility for oversight of all State Super investment strategies, including setting investment objectives, investment policies and strategic asset allocation. TCorp is responsible to State Super for implementing the investment strategy for the Trustee Selection Strategy, including dynamic asset allocation, portfolio construction, investment risk management and investment manager selection. State Super continues to be responsible for the governance and investment management of the four Member Investment Choice strategies (Growth, Balanced, Conservative and Cash) in which the SASS defined contribution assets are primarily invested and the two University investment strategies (University Diversified Conservative and University Cash) in which the Universities' Employer reserves are invested.

Investment market overview

Australian growth patchy

Overall GDP growth disappointed during the financial year as declining mining investment, labour market slack and a lack of real income growth underpinned generally softer consumer confidence, despite further increases in house prices in Sydney and Melbourne. Inflationary pressures also remained subdued allowing the Reserve Bank Australia (RBA) to cut interest rates by 25 basis points in August 2016. Positively, the RBA believes the transition to lower levels of mining investment post the resource boom is almost complete. Various macro-prudential policies implemented by the RBA and APRA also appear to be taking effect on speculative activity in the property market. However, Australian household debt levels are high, leaving growth vulnerable to any potential weakness in housing or China.

Global economic backdrop continued to improve steadily

Several key economic themes played out during the financial year, namely geopolitical risks, a resurgence of economic growth and monetary policy gradually reaching an inflection point.

Geopolitical risks came to the forefront of investors' minds over the last 12 months beginning with the unexpected result of the "Brexit" referendum last June. However, the wave of populism and risk of protectionism appears to be receding. The Trump administration is yet to build a wall along the Mexican border and most of Trump's policy pledges, particularly relating to corporate tax cuts and infrastructure reform are likely to be watered down and/or delayed. In Europe, Emmanuel Macron won the French election over far right candidate Marine Le Pen, which also reduced the risk of a more fractured Europe and further protectionism. Looking ahead though, geopolitical risk remains, particularly with the "Brexit" negotiations over the years to come.

Despite heightened geopolitical uncertainty, global economic growth had a resurgence over the financial year. Most notably, the US saw its economic growth accelerate and the US unemployment rate continued to decline. The global economy was also aided by a recovery in commodity prices. Iron ore, thermal and coking coal prices have climbed considerably over the last 12 months. This likely means that the risk of deflation has subsided, albeit inflation globally remains low relative to history.

A positive year for financial markets

Financial markets broadly performed strongly over the financial year despite all the geopolitical uncertainty.

For Australian equities, the S&P/ASX 300 delivered a return of close to 14% over the financial year. Globally, developed and emerging market equities returned circa 15% and 20% respectively. The Australian dollar started the financial year at \$0.74 against the US dollar (USD) and spent most of the period trading between \$0.73 and \$0.77, finishing at \$0.77. The appreciation of the Australian dollar negatively affected the value of Australian investors' overseas investments.

For fixed interest, the recovery in economic growth and diminished deflation risk led to a sell-off in bond markets (rising bond yields means lower bond prices). Long term (10 years) government bond yields increased broadly across the globe over the financial year. Australian government bond yields rose from below 2.0% to 2.6% while US bond yields went from below 1.5% to end the financial year at 2.3%.

Going forward, although risks remain, global leading indicators continue to point towards improving economic prospects while inflationary pressures remain subdued.

Investment performance

2016–17 performance

The 2016–17 annual crediting rates for the various investment options were as follows:

Strategy	Crediting rate p.a. %
Defined Benefit	
Trustee Selection	9.5
University Diversified Conservative	4.4
University Cash	1.6
Member Investment Choice	
Growth	9.0
Balanced	6.9
Conservative	4.4
Cash	1.9

2017 was a year where both Australian and international equities performed strongly. Infrastructure, property and other unlisted assets also performed well and made strong contributions to total returns for the year. It was also a year where bonds, both Australian and international, did poorly and sold off from elevated valuations. Australian bonds generated -0.5% and international bonds -5.1% on an unhedged basis (State Super uses a tailored benchmark for international bonds) compared to a return on cash of 1.8%.

The Trustee Selection and Growth Strategies in particular benefited from an active tilting process during the year. Designed to crystallise returns, this was an important feature, particularly as all the strategies had negative cash flow.

Currency is centrally managed. The focus of the currency program is risk mitigation; in particular, management of liquidity risk. During the year the program detracted as the Australian dollar see-sawed amid a slightly appreciating trend.

Long-term performance

Meeting long-term goals requires investments to be actively managed in order to minimise the impact of losses in turbulent market conditions. Given the nature of the Fund cash flow, State Super will reallocate assets as it deems necessary to increase the probability of all investment strategies achieving their respective investment objectives.

Crediting rates for the period ended 30 June 2017 against investment objectives for each of the State Super strategies are provided in the table below.

Strategy	Objective (at 30 June 2017)	Period	Average annual compound crediting rate p.a. %	Objective p.a. %
Defined Benefit				
Trustee Selection	CPI + 4.5%	10 years	5.1	6.9
University Diversified Conservative	CPI + 1.0%	4 years	N/A	3.6*
University Cash	CPI	3 years	N/A	1.5
Member Investment Choice				
Growth	CPI + 4.0%	10 years	5.1	6.8**
Balanced	CPI + 3.0%	7 years	7.9	5.1
Conservative	CPI + 2.0%	4 years	6.0	3.9
Cash	CPI	3 years	2.1	1.5

The Trustee Selection and Growth Strategies have delivered returns below their long-term performance objectives, principally due to the impact of the global financial crisis (GFC), which fell within the 10-year period ended 30 June 2017. The objectives and returns for other diversified investment options no longer include the impact from the GFC due to the objective period of those options being shorter. Accordingly, the long-term performance of these options are significantly above their objectives. The five-year return for the Trustee Selection and Growth Strategies to 30 June 2017 both averaged 10.7% p.a., compared with a target of 6.5% p.a.

State Super implements its investment strategies through investment managers. Over the course of the financial year investment managers' performances in each of the investment strategies were reviewed and adjustments made to ensure the risk return characteristics of each investment strategy were in line with investment objectives. State Super continues to maintain prudent liquidity requirements to fund its liabilities and a focus on liquidity management remains a priority for the investment team.

Risk and asset allocation settings for the Fund are reviewed regularly. The asset allocation for each investment strategy is well diversified across asset classes, risk premiums, investment managers and individual securities. The aim is to generate equity-like returns with substantially reduced volatility. Risk management plays a crucial role in this process.

State Super's approach to navigating investment market conditions has been to take profit at regular intervals when equity and bond markets have performed well and invest back into such markets at regular intervals when they are falling.

* This objective p.a. comprises of 3 years at CPI+2% and 1 year at CPI+1%

** This objective p.a. comprises of 9 years at CPI+4.5% and 1 year at CPI+4%

Crediting rates for defined benefit reserves

The crediting rates provided in the following tables for defined benefit reserves are prior to adjustments for the varying rates of exempt current pension income (ECPI) tax. As a result of the ECPI tax adjustment, each of the defined benefit reserves (including those relating to Crown and other Government enterprises with pension members) is credited with an additional amount over and above that credited and shown below.

In September 2014, University assets were segregated from the defined benefit and defined contribution assets and the University Conservative Diversified and University Cash Strategies were introduced to facilitate their management.

Trustee Selection Strategy

Year ending	Crediting rate to employer reserves (p.a.) %
30 June 2017	9.5
30 June 2016	3.6
30 June 2015	11.1
30 June 2014	12.3
30 June 2013	17.1
Average annual compound crediting rate (p.a.)	
Over 3 years	8.1
Over 5 years	10.7
Over 10 years	5.1

University Diversified Conservative Strategy

Year ending	Crediting rate to employer reserves (p.a.) %
30 June 2017	4.4
30 June 2016	1.9
30 June 2015	4.2
30 June 2014	N/A
30 June 2013	N/A
Average annual compound crediting rate (p.a.)	
Over 3 years	N/A
Over 5 years	N/A
Over 10 years	N/A

Trustee Selection returns for Crown employers after the benefit of ECPI tax	Crediting rate including ECPI * benefit to employer reserves (p.a.) %
30 June 2017	10.5
30 June 2016	4.2
30 June 2015	12.5
30 June 2014	14.0
Average annual compound crediting rate (p.a.)	
Over 3 years	9.0

*Tax benefit arising from Exempt Current Pension Income

University Cash Strategy

Year ending	Crediting rate to employer reserves (p.a.) %
30 June 2017	1.6
30 June 2016	2.0
30 June 2015	1.6
30 June 2014	N/A
30 June 2013	N/A
Average annual compound crediting rate (p.a.)	
Over 3 years	N/A
Over 5 years	N/A
Over 10 years	N/A

Crediting rates for member investment choice strategies

SASS is a hybrid scheme, with the member-financed benefit component being the accumulation of member contributions, while investment earnings and an employer-financed benefit component are defined benefits. On deferral, both the member and employer-financed components are accumulated with investment earnings from the investment strategy or strategies selected by the member.

SASS members have a choice of four investment strategies – Growth, Balanced, Conservative and Cash. The Growth Strategy is the default strategy that applies if a member does not make an investment choice.

The crediting rates for the four investment strategies are shown below. Given as an annual rate and rounded to one decimal point, they are credited to members' accounts at the end of the financial year. Actual crediting rates are declared monthly to four decimal places. The annual rate is the compounded monthly rates.

Growth Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2017	9.0
30 June 2016	5.0
30 June 2015	10.2
30 June 2014	12.3
30 June 2013	17.1
Average annual compound crediting rate (p.a.)	
Over 3 years	8.0
Over 5 years	10.7
Over 10 years	5.1

Conservative Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2017	4.4
30 June 2016	4.6
30 June 2015	6.9
30 June 2014	8.1
30 June 2013	9.2
Average annual compound crediting rate (p.a.)	
Over 3 years	5.3
Over 5 years	6.6
Over 10 years	5.2

Balanced Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2017	6.9
30 June 2016	5.3
30 June 2015	8.9
30 June 2014	10.7
30 June 2013	13.7
Average annual compound crediting rate (p.a.)	
Over 3 years	7.0
Over 5 years	9.0
Over 10 years	5.5

Cash Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2017	1.9
30 June 2016	2.0
30 June 2015	2.4
30 June 2014	2.5
30 June 2013	3.2
Average annual compound crediting rate (p.a.)	
Over 3 years	2.1
Over 5 years	2.4
Over 10 years	3.5

Funds under management (FUM)

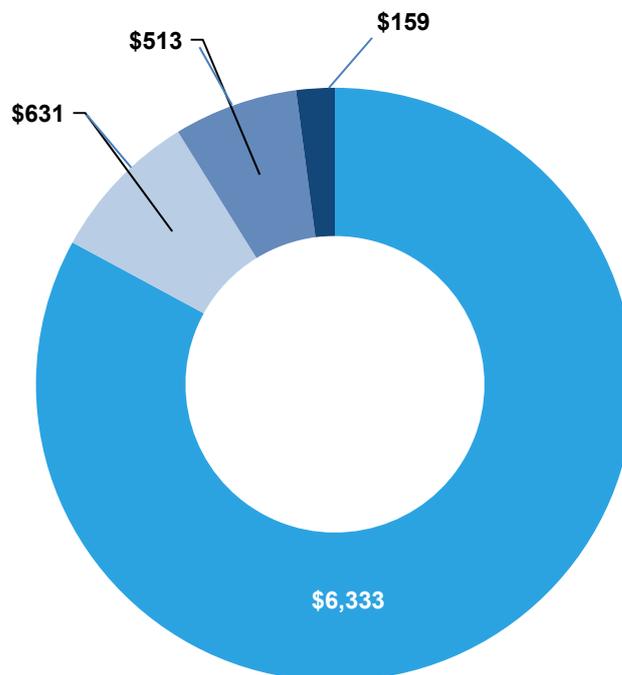
FUM per investment strategy at 30 June 2017 (\$ millions) *

DEFINED BENEFIT STRATEGIES



- Trustee Selection
- University Diversified Conservative
- University Cash

MEMBER INVESTMENT CHOICE STRATEGIES



- Growth Strategy
- Balanced Strategy
- Conservative Strategy
- Cash Strategy

*Excludes Employer Sponsor Receivable

Investment policies and practices

STRATEGIC ASSET ALLOCATION

State Super allocates asset classes into three categories – liquid growth, alternatives and liquid defensive – to more closely reflect the role of each category within the portfolio.

The liquid growth category of assets consists of Australian and international listed equities. The liquid defensive category consists of Australian and international fixed interest, inflation-linked bonds and cash. Property, infrastructure, corporate debt, absolute return strategies and private equity comprise the alternatives category.

Liquid growth is expected to make a large contribution to long-term returns; however, the market is likely to remain highly volatile. The allocation to liquid growth, as well as the allocation between Australian and international equities within this category may be changed from time to time depending on market opportunities.

Alternatives serve a dual purpose. Some of the asset classes in this category are expected to generate returns in line with or higher than CPI + 4.5%. Other asset classes within the alternatives category are expected to have the dual objective of providing CPI + 4.5%, and the ability to provide downside protection when markets are turbulent.

Liquid defensive represents asset classes that tend to do well when markets are turbulent. These asset classes provide capital protection when most other strategies are not performing well but are not expected to generate CPI + 4.5% over the long term.

State Super can dynamically allocate assets between liquid defensive and liquid growth strategies based on changes in the investment environment. The allocation to alternatives, on the other hand, is strategic in nature and generally illiquid, with investments being held over the medium to long term.

State Super reviews the strategic asset allocation of each investment strategy annually in conjunction with its advisers. For the Member Investment Choice and University investment strategies State Super considers quarterly

whether any dynamic asset allocation tilts are appropriate given current valuations. For Trustee Selection dynamic asset allocation is undertaken by TCorp.

MARKET RISK PROTECTION STRATEGIES

Downside protection – The Trustee may employ a series of investment strategies to manage downside risk, which could include a combination of derivatives for hedging and exposure management, rotation of assets and managers, centralised risk managed currency overlay, option strategies and manager benchmarking focused on downside risk management.

Exposure management – In the case of the Trustee Selection and Growth Strategies, the listed asset classes can be tilted away from their respective asset allocation weights in a disciplined manner. The portfolios are tilted using dynamic asset allocation ranges set for each of the strategies in order to capture upside potential gains and provide a degree of downside protection.

The Balanced and Conservative Strategies are currently rebalanced back to their respective target allocations monthly. If an asset class has deviated away from the target asset allocation, the manager trades against the Growth Strategy in order to return allocations to the target asset allocation. The exposure management process may involve the use of derivatives.

Divestment of investments in tobacco product manufacturers and controversial weapons manufacturers

In 2012–13, the Trustee Board decided to divest its holdings in tobacco product manufacturers and to exclude investments in manufacturers of controversial weapons, including cluster munitions and chemical and biological weapons. State Super's Environmental, Social and Governance policy was subsequently updated to reflect the decisions. At 30 June 2017, State Super had no exposure to controversial weapons manufacturers or tobacco product manufacturers.

INVESTMENT GOVERNANCE FRAMEWORK

The Trustee Board has approved State Super's Investment Governance Framework, which encompasses the systems, structures, policies, processes and people which support the selection, management and monitoring of investment decisions made for the Pooled Fund. The Investment Governance Structure is a combination of legislative requirements, Ministerial Orders, Board and Board Sub-Committee oversight, and managed and monitored by State Super's Executive and the appointed Master Investment Manager.

Key components of the Framework include the following committees, teams and individuals.

Investment Committee – The Trustee Board established an Investment Committee to support the Board in determining and effecting the investment strategy, to oversee the process of appointing and replacing investment managers and other investment service providers, and to ensure that asset and liability matching is taken into account in investment management decisions. The Committee also monitors the performance of all the investment options within the Pooled Fund.

Risk, Audit and Compliance Committee – The Trustee Board established the Risk, Audit and Compliance Committee to support the Board by reviewing and monitoring State Super's governance, risk and compliance frameworks, including audit arrangements, selection of the Appointed Actuary, the triennial review of the Pooled Fund and the review of policies and procedures.

Management Investment Committee – The Management Investment Committee was established as the governing body for management investment processes for the Pooled Fund. Its purpose is to assist the CEO with executing investment-related delegations from the Board, and to progress policy and strategy development and implementation, product structure and design and investment manager selections.

Investment Team – This team is responsible for executing State Super's Investment Policy Statement by recommending strategic asset allocation and dynamic asset allocation decisions for each of the investment options within the Pooled Fund; reviewing and monitoring recommendations provided by the Master Investment Manager; managing liquidity to ensure each investment option can meet its liability requirements, and managing all the investment decisions and processes for the Member Investment Choice and Universities investment strategies.

Master Investment Manager – In March 2014, the NSW Government announced its intention to amalgamate the funds management activities of the State's financial assets within NSW Treasury Corporation (TCorp). After a full due diligence process the State Super Board appointed TCorp as Master Investment Manager for the defined benefit assets. This arrangement is governed by a written contract, the MFSA, which establishes the services and functions of TCorp. The appointment of TCorp commenced 15 June 2015. The MFSA was updated to comply with the Ministerial Orders and executed in October 2016.

Vendor Management Team – This team is responsible for the active oversight and monitoring of TCorp in order to monitor compliance, reduce risk, improve service delivery and promote greater transparency in investments and operations.

Asset Consultant – Frontier Advisors Pty Limited, as Asset Consultant for the Member Investment Choice and Universities investment strategies, provides a range of services that include the review of investment objectives, strategic asset allocation and the risk/return profile of investment options.

Scheme Actuary – Mercer Consulting (Australia) Pty Limited is State Super's Scheme Actuary. The services include advice on the triennial review which projects the profile of the Fund's assets and liabilities to the funding position and schemes' requirements. It also includes asset and liability modelling to test sensitivities to different funding, return, salary, inflation and longevity assumptions.

Master custodian – The Trustee Board has appointed JPMorgan Chase Bank, NA, as Master Custodian to hold the Pooled Fund's assets. The master custodian also values the Fund daily and monitors each investment manager's daily activity to ensure compliance with its investment mandate.

Investment managers – As required by the *Superannuation Administration Act 1996 (NSW)*, all of the Pooled Fund's assets are managed by external investment managers appointed by State Super. Each manager operates under a written agreement which can take the form of an Investment Management Agreement or Side Letter as appropriate. Investment managers' performance is monitored throughout the year and new managers may be added or existing managers replaced.

Policies – State Super has a range of policies supporting the Investment Governance Framework. These include the:

- Investment Beliefs
- Investment Policy Statement
- Derivative Risk Statement
- Liquidity Policy
- ESG/Proxy Voting Policy
- Large Exposure and Counterparty Policy.

Derivatives – Derivatives, including futures and options, can be used by State Super's investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements, and cannot be used for speculative purposes or investment portfolio gearing.

Currency hedging policy – The Trustee's policy for currency hedging at 30 June 2017 was as follows:

- international equities – developed market equities are hedged from 0% to 100% in Australian dollars
- international equities – emerging market equities are unhedged
- international property, infrastructure and alternative assets are hedged from 0% to 100% in Australian dollars
- international fixed interest assets (sovereign debt) are hedged from 0% to 100% in Australian dollars.

Defined Benefit investment strategies at 30 June 2017

TRUSTEE SELECTION STRATEGY

Investment objective: The objective of the Trustee Selection Strategy is to maximise the earnings rate, subject to a greater than 50% probability of exceeding CPI + 4.5% p.a. over rolling 10-year periods.

Risk: Medium to high (standard risk measure (SRM) risk band 5: from three to less than four negative annual returns estimated over any 20-year period).

Net assets at 30 June 2017: \$33,939 million

Asset allocation at 30 June 2017:

	Strategic %	Actual %
Liquid growth	50.0	51.7
Australian equities	22.0	22.4
International equities	28.0	29.3
Alternatives	32.5	31.4
Infrastructure	12.0	12.4
Property	10.0	9.0
Other alternatives	10.5	10.0
Liquid defensive	17.5	16.9
Australian fixed interest	9.0	6.4
International fixed interest	1.5	1.0
Cash	7.0	9.5
TOTAL	100.0	100.0

UNIVERSITY DIVERSIFIED CONSERVATIVE STRATEGY

Investment objective: The investment objective of the University Diversified Conservative Strategy is to maximise the earnings rate subject to a greater than 70% probability of exceeding CPI + 2.0% p.a. over rolling four-year periods.

Risk: Low (SRM risk band 2: from 0.5 to less than one negative annual return estimated over any 20-year period).

Net assets at 30 June 2017: \$249 million

Asset allocation at 30 June 2017:

	Strategic %	Actual %
Liquid growth	28.0	32.6
Australian equities	12.0	13.5
International equities	16.0	19.1
Alternatives	0.0	0.0
Liquid defensive	72.0	67.4
Australian fixed interest	6.0	5.8
International fixed interest	2.0	1.2
Cash	64.0	60.4
TOTAL	100.0	100.0

UNIVERSITY CASH STRATEGY

Investment objective: The investment objective of the University Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding CPI p.a. over rolling three-year periods.

Risk: Very Low (SRM risk band 1: less than 0.5 negative annual return estimated over any 20-year period).

Net assets at 30 June 2017: \$320 million

Asset allocation at 30 June 2017:

	Strategic %	Actual %
Liquid growth	0.0	0.0
Alternatives	0.0	0.0
Liquid defensive	100.0	100.0
Australian fixed interest	0.0	0.0
International fixed interest	0.0	0.0
Cash	100.0	100.0
TOTAL	100.0	100.0

Member Investment Choice strategies at 30 June 2017

GROWTH STRATEGY

Investment objective: The objective of the Growth Strategy is to maximise the earnings rate subject to a greater than 60% probability of exceeding CPI + 4.0% p.a. over rolling 10-year periods.

Risk: Medium to high (SRM risk band 5: from three to less than four negative annual returns estimated over any 20-year period).

Net assets at 30 June 2017: \$6,333 million

Asset allocation at 30 June 2017:

	Strategic %	Actual %
Liquid growth	50.0	55.9
Australian equities	22.0	25.0
International equities	28.0	30.9
Alternatives	34.0	29.8
Infrastructure	11.0	10.0
Property	7.5	7.1
Other alternatives	15.5	12.7
Liquid defensive	16.0	14.3
Australian fixed interest	5.0	3.8
International fixed interest	3.0	2.0
Cash	8.0	8.5
TOTAL	100.0	100.0

BALANCED STRATEGY

Investment objective: The objective of the Balanced Strategy is to maximise the earnings rate subject to a greater than 60% probability of exceeding CPI + 3.0% p.a. over rolling seven-year periods.

Risk: Medium (SRM risk band 4: from two to less than three negative annual returns estimated over any 20-year period).

Net assets at 30 June 2017: \$631 million

Asset allocation at 30 June 2017:

	Strategic %	Actual %
Liquid growth	38.0	39.2
Australian equities	16.0	16.8
International equities	22.0	22.4
Alternatives	26.0	28.0
Infrastructure	9.0	9.1
Property	7.5	7.6
Other alternatives	9.5	11.3
Liquid defensive	36.0	32.8
Australian fixed interest	13.5	6.0
International fixed interest	4.5	2.5
Cash	18.0	24.3
TOTAL	100.0	100.0

CONSERVATIVE STRATEGY

Investment objective: The objective of the Conservative Strategy is to maximise the earnings rate subject to a greater than 70% probability of exceeding CPI + 2.0% p.a. over rolling four-year periods.

Risk: Low (SRM risk band 2: from 0.5 to less than 1 negative annual return estimated over any 20-year period).

Net assets at 30 June 2017: \$513 million

Asset allocation at 30 June 2017:

	Strategic %	Actual %
Liquid growth	20.0	21.1
Australian equities	8.0	8.7
International equities	12.0	12.4
Alternatives	21.0	21.5
Infrastructure	6.0	6.0
Property	7.5	7.6
Other alternatives	7.5	7.9
Liquid defensive	59.0	57.4
Australian fixed interest	11.5	6.0
International fixed interest	4.5	3.0
Cash	43.0	48.4
TOTAL	100.0	100.0

Investment expenses

The investment management expense ratio for an investment strategy is the investment management expenses incurred by the strategy expressed as a percentage of the average net asset value of the strategy. The investment management expense ratios for the seven State Super investment strategies are shown below. (Note, the expense ratio for FY 2017–18 are estimates and may change as the year unfolds due to market circumstances or changes in the structure of the asset sectors.)

Investment management expense ratio of average total assets			
Strategy	Actual 2016–17	Estimated 2016–17	Estimated 2017–18
Defined benefit investment strategies			
Trustee Selection	0.46%	0.42%	0.48%
University Diversified Conservative	0.11%	0.09%	0.13%
University Cash	0.04%	0.07%	0.05%
Member Investment Choice investment strategies			
Growth	0.34%*	0.42%*	0.47%*
Balanced	0.29%	0.29%	0.33%
Conservative	0.20%	0.21%	0.25%
Cash	0.03%	0.07%	0.04%
	*0.34% + nil performance fee paid	*estimated 0.36% +0.08% performance fee	*estimated 0.39% + 0.08% performance fee

CASH STRATEGY

Investment objective: The objective of the Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding CPI p.a. over rolling three-year periods.

Risk: Very low (SRM risk band 1: less than 0.5 negative annual return estimated over any 20-year period).

Net assets at 30 June 2017: \$159 million

Asset allocation at 30 June 2017:

	Strategic %	Actual %
Liquid growth	0.0	0.0
Alternatives	0.0	0.0
Liquid defensive	100.0	100.0
Cash	100.0	100.0
TOTAL	100.0	100.0

Changes to investment strategies effective 1 July 2017

In June 2017, State Super undertook its annual detailed review of the investment strategies and objectives for each investment option of the Pooled Fund and made the following changes, effective 1 July 2017.

Investment Options	Return Objectives effective 1 July 2016	Return Objectives effective 1 July 2017
Growth Strategy	CPI + 4.0% p.a. over rolling 10-year periods	CPI + 3.5% p.a. over rolling 7-year periods
Balanced Strategy	CPI + 3.0% p.a. over rolling 7-year periods	CPI + 2.25% p.a. over rolling 7-year periods
Conservative Strategy	CPI + 2.0% p.a. over rolling 4-year periods	CPI + 1.0% p.a. over rolling 4-year periods
Cash Strategy	CPI over rolling 3-year periods	Cash return over rolling 3-year periods
Trustee Selection Strategy	CPI + 4.5% p.a. over rolling 10-year periods	CPI + 4.0% p.a. over rolling 10-year periods
University Diversifies Conservative Strategy	CPI + 1.0% p.a. over rolling 4-year periods	CPI + 0.5% p.a. over rolling 4-year periods
University Cash Strategy	CPI over rolling 3-year periods	Cash return over rolling 3-year periods

Strategic asset allocation changes

For the Trustee Selection Strategy, State Super slightly reduced the allocation to liquid growth and slightly increased the liquid defensives allocation. The allocation to alternative assets was kept substantially unchanged, however the underlying components were adjusted to enhance portfolio diversification.

For the Growth Strategy the allocation to liquid growth and alternatives increased slightly with the allocation to liquid defensives reducing. This reflected an expectation of lower returns from fixed income and cash over the relevant investment horizon.

For the Balanced and Conservative Strategies the allocation to alternative assets increased due to the harmonization of the allocation to illiquid assets across Growth, Balanced and Conservative investment strategies.

Strategic asset allocation target levels and dynamic asset allocation ranges effective from 1 July 2017 for the three defined benefit strategies and the four Member Investment Choice strategies are shown on the following two pages.

STRATEGIC ASSET ALLOCATIONS FOR DEFINED BENEFIT STRATEGIES

Trustee Selection Strategy

Effective from 1 July 2017, the strategic asset allocation for the Trustee Selection Strategy was revised as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	48.0	32.0 – 64.0
Australian equities	20.5	
International equities	27.5	
Alternatives	37.0	27.0 – 47.0
Infrastructure	10.0	
Property	7.0	
Other alternatives	20.0	
Liquid defensive	15.0	10.0 – 31.0
Australian fixed interest	5.0	
International fixed interest	0	
Other	4.0	
Cash	6.0	
TOTAL	100.0	100.0

University Diversified Conservative Strategy

Effective from 1 July 2017, the strategic asset allocation for the University Diversified Conservative Strategy was revised as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	19.0	11.0 – 27.0
Australian equities	8.0	
International equities	11.0	
Alternatives	0.0	N/A
Liquid defensive	81.0	73.0 – 89.0
Australian fixed interest	4.0	
International fixed interest	2.0	
Cash	75.0	
TOTAL	100.0	100.0

University Cash Strategy

Effective from 1 July 2017, the strategic asset allocation for the University Cash Strategy was revised as follows:

	Strategic asset allocation %
Liquid growth	0.0
Alternatives	0.0
Liquid defensive	100.0
Cash	100.0
TOTAL	100.0

Note: Dynamic asset allocation ranges are not used in the University Cash Strategy.

STRATEGIC ASSET ALLOCATIONS FOR MEMBER INVESTMENT CHOICE STRATEGIES

Growth Strategy

Effective from 1 July 2017, the strategic asset allocation for the Growth Strategy was revised as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	51.0	35.0 – 67.0
Australian equities	22.5	
International equities	28.5	
Alternatives	36.5	28.5 – 44.5
Infrastructure	12.0	
Property	8.0	
Other alternatives	16.5	
Liquid defensive	12.5	10.0 – 28.5
Australian fixed interest	4.0	
International fixed interest	2.0	
Cash	6.5	
TOTAL	100.0	100.0

Balanced Strategy

Effective from 1 July 2017, the strategic asset allocation for the Balanced Strategy was revised as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	36.0	26.0 – 46.0
Australian equities	14.0	
International equities	22.0	
Alternatives	27.5	19.5 – 35.5
Infrastructure	10.5	
Property	6.5	
Other alternatives	10.5	
Liquid defensive	36.5	26.5 – 46.5
Australian fixed interest	7.5	
International fixed interest	2.5	
Cash	26.5	
TOTAL	100.0	100.0

Conservative Strategy

Effective from 1 July 2017, the strategic asset allocation for the Conservative Strategy was revised as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	21.0	13.0 – 29.0
Australian equities	8.5	
International equities	12.5	
Alternatives	25.0	17.0 – 33.0
Infrastructure	10.5	
Property	6.5	
Other alternatives	8.0	
Liquid defensive	54.0	46.0 – 62.0
Australian fixed interest	6.0	
International fixed interest	3.0	
Cash	45.0	
TOTAL	100.0	100.0

Cash Strategy

Effective from 1 July 2017, the strategic asset allocation for the Cash Strategy was revised as follows:

	Strategic asset allocation %
Liquid growth	0.0
Australian equities	0.0
International equities	0.0
Alternatives	0.0
Liquid defensive	100.0
Cash	100.0
TOTAL	100.0

Note: Dynamic asset allocation ranges are not used in the Cash Strategy.

Investment managers at 30 June 2017

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Australian equities			
Balanced Equity Management Pty Limited	✓	–	–
BlackRock Asset Management Australia Limited	✓	–	–
BT Investment Management (Institutional) Limited	✓	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Cooper Investors Pty Limited	✓	–	–
Ellerston Capital Limited	✓	✓	–
Hyperion Asset Management Limited	✓	–	–
Lazard Asset Management Pacific Co	✓	✓	–
Macquarie Investment Management Limited	✓	–	–
Maple-Brown Abbott Limited	✓	–	–
Northcape Capital Pty Ltd	✓	✓	–
Perennial Value Management Limited	✓	–	–
Platypus Asset Management Pty Ltd	✓	✓	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	–
International equities			
AQR Capital Management LLC	✓	✓	–
Arrowstreet Emerging Markets Fund	✓	✓	–
Artisan Partners Limited Partnership	✓	–	–
C Worldwide Asset Management Fondsmæglersekskab A/S	✓	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Harris Associates Limited Partnership	✓	–	–
Investec Asset Management Limited	✓	✓	–
Lazard Asset Management Pacific Co	✓	–	–
Morgan Stanley Investment Management Ltd	✓	–	–
New South Wales Treasury Corporation	✓	✓	–
Realindex Investments Pty Limited	✓	–	–
Sanders Capital LLC	–	✓	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	–
The Genesis Emerging Markets Investment Company C/O Genesis Asset Managers LLP	✓	–	–
Property			
AMP Capital Investors Limited	–	✓	–
Dexus Funds Management Limited	✓	–	–
EG Funds Management Pty Ltd	✓	–	–
Franklin Templeton Investments Australia Limited	✓	–	–
Investa Property Group	–	✓	–
Resolution Capital	–	✓	–

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Property con't			
SG Hiscock & Company Limited	✓	–	–
Vanguard Investments Australia Ltd	✓	✓	–
LaSalle Investment Management (via Equity Trustees Ltd)	–	✓	–
International fixed interest			
State Street Global Advisors Australia Limited	✓	✓	–
Wellington International Management Company Pty Ltd	✓	–	–
Australian fixed interest & cash			
BT Investment Management (Institutional) Limited	✓	✓	–
Colonial First State Asset Management (Australia) Limited	✓	–	–
State Street Global Advisors Australia Limited	✓	✓	–
New South Wales Treasury Corporation	✓	–	–
Alternative assets			
AMP Capital Funds Management Limited	✓	✓	–
Colonial First State Global Asset Management (Australia) Limited	–	✓	–
Fulcrum Asset Management LLP	✓	✓	–
GAM International Management Limited	–	✓	–
GMO Australia Limited	✓	–	–
Hastings Investment Management Limited	–	✓	–
Kohlberg Kravis Roberts & Co. L.P.	–	✓	–
Lazard Asset Management Pacific Co	✓	–	–
Macquarie Investment Management Limited	✓	✓	–
Macquarie Specialised Asset Management Limited	✓	–	–
New South Wales Treasury Corporation	✓	✓	–
Perennial Value Management Limited	–	✓	–
PineBridge Investments LLC	✓	✓	–
Pyrford International	✓	–	–
QIC Limited	–	✓	–
RARE Infrastructure Limited	–	✓	–
Siguler Guff Distressed Opportunities Fund III (F) LP	✓	–	–
Siguler Guff Distressed Opportunities Fund IV (F) LP	✓	–	–
Whitehelm Capital Pty Ltd	✓	–	–
Currency			
Pareto Investment Management Limited	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	–
Universities			
State Street Global Advisors Australia Limited	–	–	✓

Member engagement

Overview of scheme membership

The membership of the State Super schemes at 30 June 2017 is set out below.

Scheme	At 30 June 2012	At 30 June 2017	Movement % over 5 years
Active members			
SASS	38,224	23,394	-39%
SSS	13,420	4,219	-69%
PSS	1,673	1,043	-38%
Total	53,317	28,656	-46%
Deferred benefit members			
SASS	10,530	9,852	-6%
SSS	2,749	1,607	-42%
PSS	141	99	-30%
Total	13,420	11,558	-14%
Pension members			
SASS	3,869	4,353	13%
SSS	49,048	54,934	12%
PSS	6,521	6,569	1%
Total	59,438	65,856	11%
Total	126,175	106,070	-16%

The State Super schemes are closed to new members. Over the past five years, the number of active members fell by 24,661, while the number of pension members increased by 6,418. Refer to page 66 for membership statistics for the past five years.

The next five years

Over the coming five-year period to 30 June 2022, the membership of the State Super schemes will continue to fall to a projected 88,436 members, while the contributory or active membership will halve to 14,404 members. This rapid reduction in contributors reflects the age profile of the membership as well as the SSS benefit design, which encourages retirement by age 60. Over the period to 2022, the deferred benefit membership is projected to fall to 7,989 members, as these members reach the age when they can claim their benefit.

In contrast to the reduction in contributory and deferred benefit members, the number of pension members is projected to increase slightly from 65,856 to 66,043 in 2022 and to peak in 2019. Over the longer term, pension members will be the only members in the State Super schemes.

Benefits for members

State Super continues to provide a range of services to enable members to obtain timely, accurate and useful information on the schemes and their personal benefit entitlements.

INFORMATION, EDUCATION AND ADVICE SERVICES

The trends in members' use of the services are shown in the table below.

	2014–15	2015–16	2016–17
Telephone calls	94,119	89,059	90,662
Letters	5,560	5,529	5,214
Emails	8,769	12,347	16,997
Seminar attendance	2,237	2,091	1,693
Personal interviews	878	790	694
Financial planning advice	19,920	20,982	24,434

Personal interview service

Personal interviews are available for current and deferred State Super members. Members are provided with general advice about their scheme and general superannuation information. During 2016–17, Mercer, on behalf of State Super, conducted 694 interviews, mainly at their Sydney CBD office, with the remainder held in regional offices of StatePlus.

Financial planning advice

StatePlus provides financial planning advice to members of the State Super schemes and their relatives. As part of the sale of StatePlus to First State Super, State Super and StatePlus signed a new Access Agreement which documents the services offered to members by StatePlus. The Access Agreement has a 15-year initial term and a five-year optional extension period, ensuring members will continue to have access to financial advice services for many years to come.

State Super and StatePlus continue to liaise closely to ensure that State Super scheme members continue to have access to high-quality information and advice about their scheme entitlements and financial planning. During 2016–17, StatePlus made 24,434 financial planner appointments for State Super members or relatives of State Super members.

Retirement planning seminars

Effective from 1 July 2015, the provision of retirement planning seminars to State Super members was outsourced to StatePlus. The service is provided through a Member Seminar Services Agreement between State Super and StatePlus and documents the services delivered to members. State Super will continue to monitor the provision of this service to members for quality and accuracy.

During 2016–17, StatePlus delivered 76 retirement planning seminars across NSW metropolitan and regional areas on behalf of State Super. Of these, 61 were SASS-based seminars and 15 were SSS based. These were attended by 1,693 SASS and SSS members.

OTHER BENEFITS FOR MEMBERS

Salary sacrifice contributions

All members have the option of contributing their compulsory member contributions on a post or pre-tax (salary sacrifice) basis. The majority of members in all schemes make salary sacrifice contributions. The percentage of member contributions received via salary sacrifice from 1 July 2014 to 30 June 2017 is shown in the following table, with a breakdown per scheme.

Percentage of member contributions received via salary sacrifice over the last three years

Scheme	2014–15 %	2015–16 %	2016–17 %
SASS	68	72	71
SSS	82	83	82
PSS	62	67	67

SASS member investment choice

SASS members are able to choose single or multiple investment strategies for their personal account balance and future contributions.

The table below shows the allocation of member account balances by investment strategy. The account balances cover both contributory and deferred SASS members, are net of surcharge tax liabilities and include deferred SANCS benefits invested in the Growth Strategy.

	Account balances			
	30 June 2016 \$ million	%	30 June 2017 \$ million	%
Growth	6,221.8	83	6,333	83
Balanced	559.7	8	631	8
Conservative	500.0	7	513	7
Cash	185.4	2	159	2
Total	7,466.9	100	7,636	100

A large majority of account balances continue to be invested in the Growth Strategy (the default strategy) for member investment choice. Over the course of 2016–17, the amount invested in each strategy increased, except in the Cash Strategy, which experienced net outflows.

Part D

Corporate Governance

The following information is provided in accordance with the *Annual Reports (Statutory Bodies) Regulation 2015*.

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Corporate governance

Well-considered and fit-for-purpose governance arrangements are the foundation of high-quality performance. In 2016–17, State Super implemented a number of governance improvements that in combination have increased its organisational governance capability. The improvements included a comprehensive review of State Super's delegations which ensured that key governance policies reflected the latest changes to the Superannuation Prudential Standards. The governance team will, in the coming year, work to refresh and enhance internal controls and continue to align with best practices while providing governance support to the organisation.

State Super's regulatory framework

State Super is governed by the *Superannuation Administration Act 1996 (NSW)* (SA Act). The SA Act expressly provides that State Super is a trustee for the purposes of the *Trustee Act 1925 (NSW)*.

The State Super schemes are exempt public sector superannuation schemes for the purposes of the *Superannuation Industry Supervision Act 1993 (Cth)* (SIS Act) and are therefore not regulated under the SIS Act. However, the SIS Act is relevant because the State of NSW is a party to a Heads of Government Agreement (HOGA) with the Commonwealth Government. The HOGA (which deals with superannuation) contains an undertaking by the State of NSW that it will ensure that members' accrued benefits in exempt schemes are fully protected and that those exempt schemes will, on a best endeavours basis, conform to the principles of the Commonwealth's retirement income policy as reflected in the attachment to the HOGA and from time to time in Commonwealth legislation. State Super considers that the Commonwealth legislation (and the Australian Prudential Regulation Authority (APRA) Superannuation Prudential Standards made under that legislation) provide significant guidance as to the exercise of its statutory and fiduciary functions. Accordingly, State Super aspires to be compliant with Commonwealth legislation including the SIS Act (and the APRA Superannuation Prudential Standards) on a best endeavours basis.

State Super's prudential responsibilities are monitored by the New South Wales Government, with the Treasurer of NSW having specific responsibilities.

During the year, State Super and TCorp entered into a new Master Financial Services Agreement to give effect to the Ministerial Order issued on 19th September 2016 to fully implement the Government's amalgamation of investment management within the public sector. State Super also successfully completed its phase of Treasury's project to amalgamate and streamline the third-party custodian arrangements of the combined investments of three Government agencies, TCorp, iCare and State Super. This phase concluded with State Super's incumbent custodian, JP Morgan, being selected as preferred custodian for the combined investments of the three agencies. State Super and TCorp continue to work collaboratively to refine the NSW Funds Amalgamation Project.

Compliance framework

State Super's formal compliance framework outlines the processes adopted by the Trustee Board to ensure compliance with the regulatory obligations that apply to State Super's day-to-day operations. The framework is the totality of the systems, structures, policies, processes and people within State Super's business operations that identify, assess and manage compliance obligations. The Trustee Board receives ongoing reporting and actively participates in the monitoring process to ensure the adequacy of the plans and policies, both directly and through its Committees.

State Super's compliance processes include:

- the review and maintenance of plans and policies required by NSW legislation for public sector agencies;
- the review and maintenance of plans and policies that comply (on a best endeavours basis) with the SIS Act, the APRA Superannuation Prudential Standards and the relevant provisions of the *Corporations Act 2001*;
- the review and maintenance of compliance obligations registers that identify State Super's legislative and contractual obligations;
- ongoing self-assessment of compliance with the compliance obligations register and the reporting of results to the Risk, Audit and Compliance Committee;
- obtaining annual formal verification from State Super's outsourced service providers confirming they have complied with their contractual and legislative obligations in relation to their services to State Super;
- regular monitoring of compliance with obligations as outlined in the compliance obligations register;
- periodic internal audits of compliance with relevant plans and policies;
- regular Board appraisals to assess governance and control practices along with other key elements for Board success.

Risk management

Risk management and insurance

The Trustee Board is responsible for having a Risk Management Framework that is appropriate to the size, business mix and complexity of the State Super schemes and which enables the Trustee to effectively manage the material risks presented by its environment and objectives.

The Risk, Audit and Compliance Committee (RACC) assists State Super to monitor and review the Risk Management Framework. Held quarterly, the RACC meetings are also attended by members of the Executive and representatives of the NSW Audit Office. Material outsourced providers, including the Administrator, Custodian and Master Investment Manager, also attend RACC meetings on at least an annual basis.

Risk Management Framework and associated documents

State Super's Risk Management Framework sets out the Trustee Board's approach to risk. It represents the systems, structures, policies, processes and people within State Super's business operations that identify, assess, manage, mitigate and monitor all internal and external sources of inherent risk that could have a material impact on State Super's business operations or the interests of beneficiaries.

State Super's Risk Management Framework has been developed with regard to APRA Prudential Standard SPS 220 Risk Management and includes the following:

- Risk Appetite Statement (including Risk Tolerances)
- Risk Management Strategy
- Risk Register.

The **Risk Appetite Statement** articulates the acceptable risk limits within which staff and consultants, whether internal or external, and at all levels of State Super business operations, must operate; while material risks, control methods and ongoing monitoring procedures are set out in State Super's **Risk Management Strategy**. State Super's **Risk Register** details:

- risks that have been identified by the Trustee Board as material
- methods adopted to minimise and/or mitigate material risks
- a methodology for monitoring material risks on an ongoing basis.

The Risk Register is reviewed by State Super staff regularly and reported to the RACC quarterly. A full review is performed annually, entailing a detailed analysis and assessment of the material risks in relation to State Super's objectives, and the scheme's activities and proposed activities for review by the RACC and the Trustee Board.

In addition to the Risk Management Framework, State Super has procedures in relation to:

- the management and monitoring of adequate human, technical and financial resources to enable State Super to carry out its obligations effectively
- the management and control of fraud and corruption
- insurance cover in the event of an unexpected occurrence affecting its operations or resources.

State Super also has policies to deal with risk mitigation, including the **Code of Conduct** and **Ethics and Protected Disclosures Reporting Policy**, which encourage proactive risk management and compliance with regulatory obligations.

Insurance

During the 2016–17 financial year insurance for State Super was maintained with the NSW Government self insurance scheme called the Treasury Managed Fund (TMF), which covers the NSW Government's insurable risks. TMF provides cover for the following classes of risk:

- Workers Compensation
- property (full replacement, new for old, including consequential loss)
- liability (including, but not limited to, professional indemnity and directors' and officers' liability)
- miscellaneous (e.g. personal accident).

Internal Audit and Risk Management Attestation Statement for the 2016–17 Financial Year for the SAS Trustee Corporation

SAS Trustee Corporation (STC) Board Members are of the opinion that State Super and its controlled entity, the SAS Trustee Corporate Staff Agency (the Agency) has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector, specifically:

Core requirements

Risk Management Framework

1.1	The State Super Board is ultimately responsible and accountable for risk management in State Super and its controlled agency	COMPLIANT
1.2	A risk management framework that is appropriate to State Super has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	COMPLIANT

Internal Audit Function

2.1	An internal audit function has been established and maintained	COMPLIANT
2.2	The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	COMPLIANT
2.3	State Super has an Internal Audit Charter that is consistent with the content of the 'model charter'	COMPLIANT

Audit and Risk Committee

3.1	An independent Audit and Risk Committee with appropriate expertise has been established	COMPLIANT
3.2	The Risk, Audit and Compliance Committee is an advisory committee providing assistance to the State Super Board on State Super governance processes, risk management and control frameworks, and its external accountability obligations	COMPLIANT
3.3	The State Super Risk, Audit and Compliance Committee has a Charter that is consistent with the content of the 'model charter'	COMPLIANT

Membership

The Chairperson and Members of the Risk, Audit and Compliance Committee for the 2016–17 period were:

- Independent Chairperson – Karen Moses (from 5 November 2016 up until 28 June 2017)
- Independent Member – Tony O’Grady
- Independent Member – Catherine Bolger
- Independent Member – Claire Keating (from 15 June 2017 and Chairperson from 28 June 2017)
- Independent Member – George Venardos (Chairperson and Member up to 4 November 2016)

This ATTESTATION was executed on 5 October 2017, following a resolution of the State Super Board on 5 October 2017.

The COMMON SEAL of the SAS Trustee Corporation was here to affixed in the presence of:



.....
Signature of John Livanas

.....
Signature of Witness

John Livanas
CEO

.....
ALLAN PARAPURAM
Name of Witness

Privacy and use of member information

As a NSW Government entity, State Super complies with relevant legislation, including the *Privacy and Personal Information Protection Act 1998* (Privacy Act) and the *Health Records and Information Privacy Act 2002* (HRIP Act).

State Super has developed a Privacy Management Plan (the Plan) and administers it with the assistance of Mercer. State Super has also developed a Privacy Statement that:

- details how State Super complies with the requirements of the Privacy Act and the HRIP Act
- explains how State Super deals with members' personal and health information that may be collected and used in the course of administering the Fund
- summarises the circumstances where State Super may provide a members' personal and health information to third parties.

State Super endeavours to ensure its records of members' personal details are up-to-date and accurate. Members may contact Mercer to advise of changes to their personal and health details. Additionally, State Super takes steps to ensure there is no unauthorised use or disclosure of members' information. The Privacy Statement is available on request and from the State Super website at www.statesuper.nsw.gov.au.

Public interest disclosures

State Super has a Protected Disclosures Reporting Policy which ensures that State Super's processes are compliant with the *Public Interests Disclosures Act 1994 (NSW)* (PID Act). State Super facilitates staff awareness of its Protected Disclosures Reporting Policy and the relevant protections under the PID Act in a number of ways, including providing staff access to the Policy and conducting staff awareness training.

There were no public interest disclosures made to State Super during the 2016-17 year or finalised during that year.

Significant judicial decisions

The NSW Court of Appeal (by majority 2 - 1) decided on 4 May 2017 in the matter of *Miles v SAS Trustee Corporation* to reverse a District Court decision to reject Mr Miles' application for an increase to his Police Superannuation Scheme (PSS) hurt on duty (HOD) pension. State Super decided to appeal the Court of Appeal's decision and filed an application for special leave to appeal in the High Court registry on 30 May 2017. It is anticipated that this special leave application will be heard by the High Court in October 2017 and, if the application is successful, the subsequent appeal to the High Court will most likely be heard in 2018.

The Court of Appeal decision may, if it stands after appeal, have an impact on the number of PSS HOD pensioners who can successfully apply for an increase to their pension on the basis of incapacity for work outside the police force. State Super, in its role as trustee of PSS, will communicate with all relevant stakeholders, including the NSW Government, when it considers the ramifications of the decision after the appeals process has concluded.

Consumer disputes and appeals

The superannuation schemes administered by State Super provide members with a two-stage system of review of any decision made by a delegate of State Super that they wish to dispute. The first stage is the State Super Member Services Committee, while the second stage is an appeal to the Supreme Court of NSW.

At 30 June 2016, a total of 6 disputes were current. During the year ending 30 June 2017, 19 new disputes were lodged and 10 disputes were concluded (including disputes carried over from the previous year). 11 disputes concerned applications for certificates of incapacity from PSS members.

Disputes on hand at 30 June 2016	6
Disputes lodged in 2016–17	19
Disputes determined in 2016–17	
Confirmation of State Super delegates' decision	5
Delegates' decision set aside and new decision made	3
Settled	0
Disputes withdrawn or discontinued in 2016–17	2
Disputes on hand at 30 June 2017	15

Appeals to the Supreme Court from State Super Member Services Committee determinations resulted in outcomes in the 2016-17 year as set out below:

Decided in favour of State Super	3
Decided in favour of the member/beneficiaries	1
Withdrawn or discontinued	0
Settled	1
Outstanding at the end of the reporting year	5

The Industrial Court of New South Wales, up until its abolition in December 2016, exercised the judicial functions of the Industrial Relations Commission of New South Wales. *The Industrial Relations Amendment (Industrial Court) Act 2016* effectively transferred, from 8 December 2016, the judicial functions of the Industrial Relations Commission of New South Wales to the Supreme Court (Common Law division). The figures in the table above for the 2016-17 year include appeals made to the Industrial Court of New South Wales that exercised the judicial functions of the Industrial Relations Commission of New South Wales prior to 8 December 2016 and any appeals made to the Supreme Court post 8 December 2016.

District Court

The legislation governing the PSS provides for appeals regarding 'Hurt on Duty' (HOD) matters to the District Court of NSW from decisions of:

- the Police Superannuation Advisory Committee (PSAC) as the delegate of State Super about claims by PSS HOD pensioners for increases to their pensions
- Allianz Insurance Australia Limited as the delegate of State Super about claims by PSS members, former members or dependants of deceased members or former members for lump sum payments for duty-related permanent impairments.

These appeals resulted in outcomes in the 2016-17 year as set out below:

	PSAC	Allianz
Decided in favour of State Super	1	-
Decided in favour of the member/beneficiaries	5	-
Withdrawn or discontinued	2	-
Settled	18	-
Outstanding at the end of the reporting year	4	3

In 2016-17 there was a case where a decision in the District Court about a PSS HOD matter was appealed to the NSW Court of Appeal. In that case (*Miles v SAS Trustee Corporation*) the Court of Appeal decided in favour of the member. There was also a case in 2016-17 where a decision in the District Court about a PSS HOD gratuity matter (handled by Allianz as agent for State Super) was appealed on a matter of law. In that case (*State Super SAS Trustee Corporation Ltd v Perrin*) the Court of Appeal decided in favour of State Super and dismissed the member's appeal to the District Court about the original decision of Allianz (as agent for State Super). Neither of these two cases are included in the table above, because the relevant District Court decisions occurred in years prior to 2016-17.

Access to information

State Super is, for the purposes of the *Government Information (Public Access) Act 2009* (GIPA Act), an agency. As an agency, State Super is covered by the GIPA Act and must release “government information” unless there is an overriding public interest against disclosure. Government information is considered to be anything contained in a record held by an agency, or held on behalf of an agency by a private sector entity to which the agency has right of access.

State Super holds (either itself or via a service provider) information that is classed as “government information” about:

- itself as a corporation – such as information relating to its business operations, financial situation and dealings, staff and structure and property and equipment; and
- the superannuation schemes that it is trustee of, including a superannuation membership file for each of the members of the schemes.

It must be noted that information about the investment functions performed by State Super is excluded information for the purposes of the GIPA Act.

Open access information about State Super

The GIPA Act obliges an agency to release “open access information” (as defined in the GIPA Act). State Super’s “open access information” is as set out on the website www.statesuper.nsw.gov.au (under “Corporate governance” and then “Access to information”).

State Super must review, at least annually, the types of government information it holds that should in the public interest be made publicly available and that can be made publicly available without imposing unreasonable additional costs on itself. In 2016-17 State Super reviewed the information it makes publicly available and accessible via its website. The result of the review was that State Super believes that it has made publicly available all the government information it holds that should, in the public interest, be available and that can be made available without imposing unreasonable costs on itself.

Access to information about State Super

Information about State Super, including its open access information, is available from the website www.statesuper.nsw.gov.au (under “Corporate governance” and then “Access to information”). The website also contains State Super’s Agency Information Guide, which amongst other things describes the types of government information held by State Super, the types of information that is available to the public and how to access that information.

Access to some government information about State Super may be able to be released after an informal application for the information, and such an application can be made by contacting State Super’s Information Access Officer on 9238 5922. However, State Super may impose reasonable conditions on the release of information informally, or it may require an applicant to make a formal application for access under the *GIPA Act*.

A formal application under the GIPA Act may be required where the requested information is of a type that is costly to make available or where the decision about access may have to be formally made because of the nature of the information sought. Formal applications should be made in writing to State Super at:

Information Access Officer
SAS Trustee Corporation
PO Box N259
Grosvenor Place NSW 1220

A formal application under the GIPA Act requires an application fee of \$30 and State Super also has the right to charge a processing fee of \$30 per hour in addition to the application fee. Processing charges may be reduced by 50% for a pensioner holding a health care card, a full-time student or where an applicant is suffering financial hardship.

During the 2016-17 year, State Super did not directly receive any applications under the GIPA Act.

Member access to their superannuation file

Any member of a State Super scheme can apply for access under the GIPA Act for part or all of the information held in the superannuation membership file that the scheme administrator (Mercer) maintains, on behalf of State Super, in relation to their scheme membership.

Up until 7 December 2016, the scheme administrator, Superannuation Administration Corporation trading as Pillar Administration (Pillar), was a NSW State owned corporation and as such was itself an agency for the purposes of the GIPA Act. Applications by members of State Super schemes for access to their superannuation membership files were made to Pillar on forms provided by Pillar. The applications were processed by Pillar on the basis that Pillar held

the files, which are classed as government information for the purposes of the GIPA Act, and as an agency covered by the GIPA Act Pillar was required to release government information upon receipt of a valid formal application for access to information, subject to any applicable exceptions under the GIPA Act. Pillar recorded statistical information about applications for access to information under the GIPA Act that it received and reported those in its Annual Report.

However, on 7 December 2016 Pillar was sold to Mercer Australia, and its name was later changed to Mercer Administration Services (Australia) Pty Ltd (Mercer). From that date on, as Mercer is not an agency covered by the GIPA Act it is not required, in its own right, to process applications by State Super scheme members for access to their superannuation membership files. However, Mercer still has contractual obligations to State Super to process these applications and since 7 December 2016 it has processed these applications on that basis i.e. on behalf of State Super, which is the owner of the government information held by Mercer that comprises the members' superannuation files.

A formal application under the GIPA Act is required for a member of a State Super scheme to access part or all of the information in their superannuation membership file held by Mercer. The forms for such an application are available on the State Super website under "Corporate governance" and then "Access to information" or by calling a Mercer Information Access Officer on 1800 779 068. The applications are made to Mercer, who process them on behalf of State Super. An application fee of \$30 must be paid to Mercer and processing fees of \$30 an hour may apply (although the first 20 hours of processing is free of charge). Processing charges may be reduced by 50% for a pensioner holding a health care card, a full-time student or where an applicant is suffering financial hardship.

Formal applications should be made in writing to Mercer at:

Information Access Co-ordinator

Pillar Administration

PO Box 1229

Wollongong NSW 2500

Applications by members of State Super schemes to Mercer for access to their superannuation files

During the 2016 - 2017 year (but only from 7 December 2016 onwards) there were:

- 147 formal applications for information (under the *GIPA Act*) received by Mercer on behalf of State Super, (including withdrawn applications, but excluding invalid applications);
- 123 applications processed; and
- 6 applications refused, in whole or in part, because the application was for information for which there is a conclusive presumption of overriding public against disclosure (categories referred to in Schedule 1 of the *GIPA Act*). Of those 6 applications, all were only refused in part.

There were 24 applications still in progress as at 30 June 2017.

Refer to Appendix 1 for statistical information in the prescribed format about applications by members of State Super schemes to Mercer on behalf of State Super for access to their superannuation files in the 2016-17 year after 7 December 2016.

Relevant legislative changes

The legislative change set out in the following table was of significance to State Super and the operation of the superannuation schemes it is trustee of in the 2016-17 year.

Effective Date	Principal Act or regulation	Amending Act or regulation	Section or clause	Description
8 Dec 2016	<i>Superannuation Administration Act 1996 (NSW)</i>	<i>Industrial Relations Amendment (Industrial Court) Act 2016 (NSW)</i>	Section 88	This legislative change transferred from 8 December 2016 the judicial functions of the Industrial Relations Commission (IRC) to the Supreme Court (Common Law division). The relevant effect of this change is that from 8 December 2016 appeals from decisions of State Super are made to the Supreme Court.

Changes to scheme legislation

The following State Super scheme governing acts were amended in 2016-17 but the amendments were of minor or incidental nature.

- *State Authorities Superannuation Act 1987*;
- *State Authorities Non-contributory Superannuation Act 1987*; and
- *Superannuation Act 1916 (NSW)*.

The following regulation made under a State Super scheme governing act was re-made in 2016-17 under the Staged Repeal of Statutory Rules process (which means that regulations are repealed and re-made every 5 years).

- *Superannuation Regulation 2016 (NSW)*.

Human resource management

In June 2016, the SAS Trustee Corporation Conditions of Employment Determination 2016 (Determination) came into force. This instrument will govern the wages and employment conditions of staff employed in the SAS Trustee Corporation Staff Agency till 30 June 2018, during which time no award will apply. Following the realignment of the non-executive structure in early 2017, all State Super staff are employed in relevant classifications under the Determination.

Key employee services including salary administration, reporting and recruitment continue to be provided by Mercer.

Salary movement

Salaries for staff are reviewed and adjusted annually as part of the NSW Government's Public Sector Wages Policy 2011. Salary movements for senior executives are managed in accordance with the Statutory and Other Offices Remuneration Tribunal.

Employee remuneration levels

The table below shows remuneration levels and number of staff by gender and salary range as at 30 June 2017. Salary ranges for 2017 are in accordance with the Determination.

Salary range	2015			2016			Salary range	2017		
	Men	Women	Total staff	Men	Women	Total staff		Men	Women	Total staff
< \$39,670	0	0	0	0	0	0				
\$39,670 - \$52,103	0	0	0	0	0	0				
\$52,104 - \$58,248	0	0	0	0	0	0	\$61,500 - \$87,125	0	2	2
\$58,249 - \$73,708	1	1	2	0	1	1	\$87,126 - \$110,700	1	0	1
\$73,709 - \$95,318	1	3	4	0	1	1	\$110,701 - \$122,488	1	1	2
\$95,319 - \$119,149	2	3	5	4	5	9	\$122,489 - \$143,500	1	2	3
> \$119,149	11	13	24	18	13	31	\$143,501 - \$168,537	8	7	15
Totals	15	20	35	22	20	42		11	12	23
	43%	57%		52%	48%			48%	52%	

Executive remuneration levels

The table below shows remuneration levels and the number of senior executive staff by salary band and gender at 30 June 2017. 29.1% of State Super's employee-related expenditure in 2017 related to senior executives, compared with 27.5% in 2016.

Band* and salary range	2015				2016				2017			
	Men	Women	Total	Average Remuneration	Men	Women	Total	Average Remuneration	Men	Women	Total	Average Remuneration
Band 4 (Secretary) \$452,251 - \$522,500	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Band 3 (Deputy Secretary) \$320,901 - \$452,250	0	3	3	\$390,000	0	3	3	\$399,750	0	0	0	N/A
Band 2 (Executive Director) \$255,051 - \$320,990	0	2	2	\$250,000	1	2	3	\$262,500	3	0	3	\$302,371
Band 1 (Director) \$178,850 - \$255,050	0	0	0	N/A	0	0	0	N/A	2	2	4	\$247,025
	0	5	5		1	5	6		5	2	7	

* State Super does not use senior executive bands; therefore, senior executives have been included in the band that includes their remuneration package.

Industrial relations

Public Sector Industrial Relations provides industrial coverage for State Super and its staff. During the period 2016–17 no time was lost through industrial action.

Training and development

State Super recognises the need for ongoing staff development and has an online continuing professional development program available to all. In addition, staff are encouraged to attend relevant external programs including seminars, short courses and conferences to ensure they keep up-to-date with changes and best practice in the superannuation industry.

Work health and safety

During the reporting period, State Super had no work-related injuries, illnesses or prosecutions under the *Work Health and Safety Act 2011*. However, following on from a notifiable incident, SafeWork NSW issued State Super with two improvement notices. These notices required State Super to develop and implement procedures for "WHS consultation and issue resolution" and for "Working alone". Both procedures were developed and effectively implemented and SafeWork NSW had closed both improvement notices by 30 June 2017.

During the year, State Super staff were again offered the opportunity to have influenza immunisations and 17 staff members accepted.

Budgets

State Super budget for the years ended 30 June 2017 and 2018

	Budget FY 2018 \$'000	Budget FY 2017 \$'000	Actual FY 2017 \$'000
Income (reimbursement)			
Income (reimbursement)	41,520	48,504	39,279
Expenditure			
Member administration costs	26,066	27,151	24,232
Executive and Board			
Board expenses	815	840	671
Staff related costs	6,171	7,921	6,486
Accommodation/premises costs	1,038	997	1,012
Other administration expenses	5,656	5,637	4,517
Regulatory, governance and process improvement initiatives	1,774	5,958	2,361
Total Executive and Board expenses	15,454	21,353	15,047
Total expenditure	41,520	48,504	39,279
Net income/loss	-	-	-

Expenditure disclosure information

Overseas visits

There were no overseas visits made by employees of State Super during the 2016–17 financial year.

Payments to consultants

Payments to consultants for strategic advice during the 2016–17 financial year were nil.

Account payment performance

Accounts paid on time within each quarter

Measure	Sep-16	Dec-16	Mar-17	Jun-17
All suppliers				
Number of accounts due for payment	477	387	364	523
Number of accounts paid on time	477	387	364	523
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment	\$13,747,156	\$14,258,209	\$13,101,434	\$12,259,474
Dollar amount of accounts paid on time	\$13,747,156	\$14,258,209	\$13,101,434	\$12,259,474
Actual percentage of accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments for interest on overdue accounts	0	0	0	0
Interest paid on overdue accounts	0	0	0	0
Small business suppliers				
Number of accounts due for payment to small businesses	80	56	30	27
Number of accounts due to small businesses paid on time	80	56	30	27
Actual percentage of small business accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment to small businesses	\$14,293	\$12,778	\$10,607	\$7,948
Dollar amount of accounts due to small businesses paid on time	\$14,293	\$12,778	\$10,607	\$7,948
Actual percentage of small business accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments to small business for interest on overdue accounts	0	0	0	0
Interest paid to small businesses on overdue accounts	0	0	0	0

Land disposal

No land disposals were undertaken during the reporting period.

Credit card certification

State Super's policy for the use of corporate credit cards by executive staff is in accordance with the Treasurer's Directions 205.01–08 and the Treasury Policy and Guidelines Paper TPP 05-1. No irregularities in the use of corporate credit cards were recorded during the year.

Annual report production details

The production of this report, including its writing, editing, typesetting and printing, was undertaken internally and no external costs were incurred. This report is available online at www.statesuper.nsw.gov.au in PDF format. Hard copies can be provided upon request.

Digital information and security policy attestation

I, John Livanas of State Super, am of the opinion that State Super had an Information Security Management System in place during the 2016-17 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy. A new IT Security Policy was adopted by State Super in June 2017.

The controls in place to mitigate identified risks to the digital information and digital information systems of State Super are adequate.

There is no agency under the control of State Super which is required to develop an independent Information Security Management System in accordance with the *NSW Government Digital Information Security Policy*.

State Super has maintained certified compliance with *ISO 27001 Information technology - Security techniques - Information security management systems - Requirements by an Accredited Third Party* during the 2016-17 financial year.

Controlled entities

State Super has one controlled entity – SAS Trustee Corporate Staff Agency. The principal activity and objective of the SAS Trustee Corporate Staff Agency is to provide personnel services to State Super and the SAS Trustee Corporation Pooled Fund. The audited financial report of the SAS Trustee Corporate Staff Agency is included in this report.

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Part E

Five-year membership and financial statistical tables

Five years at a glance – to 30 June 2017

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Five years at a glance – to 30 June 2017

Member statistics	2013	2014	2015	2016	2017
Active members – SASS	34,978	31,548	28,669	26,076	23,394
Active members – SSS	11,060	8,902	7,114	5,653	4,219
Active members – PSS	1,532	1,388	1,281	1,166	1,043
Total active members	47,570	41,838	37,064	32,895	28,656
Deferred benefit members – SASS	10,540	10,478	10,358	10,112	9,852
Deferred benefit members – SSS	2,490	2,274	2,047	1,838	1,607
Deferred benefit members – PSS	128	120	114	107	99
Total deferred benefit members	13,158	12,872	12,519	12,057	11,558
Pension members – SASS	3,894	4,037	4,156	4,241	4,353
Pension members – SSS	50,840	52,317	53,452	54,230	54,934
Pension members – PSS	6,517	6,551	6,550	6,557	6,569
Total pension members	61,251	62,905	64,158	65,028	65,856

Gender ratios – active members	2013	2014	2015	2016	2017
Females – SASS	51%	51%	51%	51%	50%
Males – SASS	49%	49%	49%	49%	50%
Females – SSS	34%	35%	36%	37%	39%
Males – SSS	66%	65%	64%	63%	61%
Females – PSS	12%	12%	12%	12%	13%
Males – PSS	88%	88%	88%	88%	87%

Contributions – \$ million	2013	2014	2015	2016	2017
Employer contributions	155	165	217	281	357
Employee contributions	456	409	366	330	305
Crown contributions	1,280	1,236	1,264	1,376	1,431
Total contributions	1,891	1,810	1,847	1,987	2,093
Benefits paid – \$ millions	4,051	4,456	4,436	4,529	4,825
Net contributions – \$ millions	-3,840	-2,646	-2,589	-2,542	-2,732
Investment revenue – \$ millions	6,166	4,822	4,499	1,615	3,911

Assets/liabilities*	2013	2014	2015	2016	2017
Accrued benefits – SASS	13,653	14,232	14,521	14,436	14,597
Net assets to pay benefits	11,302	12,063	12,719	12,688	13,358
Over (under) funding – SASS	-2,351	-2,169	-1,802	-1,748	-1,239
Accrued benefits – SSS	31,652	32,177	32,618	34,887	34,787
Net assets to pay benefits	20,911	21,876	22,686	21,901	22,626
Over (under) funding – SSS	-10,741	-10,301	-9,932	-12,986	-12,161
Accrued benefits – PSS	6,852	7,010	7,034	7,373	7,402
Net assets to pay benefits	4,179	4,399	4,591	4,501	4,661
Over (under) funding – PSS	-2,673	-2,611	-2,443	-2,872	-2,741
Accrued benefits – SANCS	2,527	2,485	2,382	2,425	2,367
Net assets to pay benefits	1,818	1,911	1,991	1,949	1,499
Over (under) funding – SANCS	-709	-574	-391	-476	-868
Total accrued benefits	54,684	55,904	56,555	59,121	59,153
Total net assets to pay benefits	38,210	40,249	41,987	41,039	42,144
Over (under) funding – Total	-16,474	-15,655	-14,568	-18,082	-17,009

*Net asset figures above exclude Employer Sponsor Receivable

Employers are required by AASB119 Employee Benefits to report accrued benefits using a risk-free discount rate. This rate differs from the assumed earning rate used by the Fund actuary to calculate the accrued benefits set out in the table above. The risk-free rate results in a higher estimate of accrued benefits.

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Part F

Triennial Actuarial Valuation Report

The Triennial Actuarial Valuation of the Pooled Fund and each of the individual schemes at 30 June 2015 was carried out by Richard Boyfield, FIAA and Christopher Brown, FIAA of Mercer Consulting (Australia) Pty Ltd. A summary of this valuation is provided. A full version of the Actuarial Valuation Report is available on the State Super website, www.statesuper.nsw.gov.au.

Triennial Actuarial Valuation

Introduction

As requested by the SAS Trustee Corporation (the Corporation) we have carried out an actuarial valuation of the following schemes at 30 June 2015 in accordance with the following relevant legislation:

- the State Authorities Superannuation Scheme (SASS)
- the State Authorities Non-contributory Superannuation Scheme (SANCS)
- the State Superannuation Scheme (SSS)
- the Police Superannuation Scheme (PSS).

The above schemes are collectively known as the NSW Pooled Fund (Pooled Fund or the Fund).

The previous actuarial valuation of the NSW Pooled Fund was carried out by Martin Stevenson at 30 June 2012 and the results were set out in a report dated December 2012.

This report conforms to the requirements of Professional Standard 400 of the Institute of Actuaries of Australia applied to a non-APRA-regulated public sector superannuation scheme.

Valuation results by scheme

The total assets of each of the schemes are as follows:

Scheme	Assets at 30 June 2015 \$ million			Total
	Employer reserve	Contributor reserve	Deferred reserve	
SASS*	5,691.9	4,921.3	2,100.6	12,713.8
SANCS	1,487.7	50.3 [^]	453.1	1,991.1
SSS	20,353.4	2,333.0	-	22,686.4
PSS	4,231.4	359.7	-	4,591.1
Total	31,764.4	7,664.3	2,553.7	41,982.4

*Excludes the SASS self-insurance reserve of \$5.6 million at 30 June 2015 as it is subject to a separate actuarial investigation. The total assets above plus the SASS self-insurance reserve reconciles to the total assets of \$41,988.0 million as disclosed in the Pooled Fund financial statements at 30 June 2015.

[^]Members are not required to contribute to SANCS. SANCS Other Accounts, including accumulation-style benefits such as government co-contributions received, are disclosed as SANCS Member Reserves for the purposes of presentation in this valuation report.

The total past service liabilities by scheme are as follows:

Scheme	Past service liabilities at 30 June 2015 \$ million			Total
	Employer	Contributor reserve	Deferred reserve	
SASS	7,562.9	4,921.3	2,100.6	14,584.8
SANCS	1,990.9	50.3	453.1	2,494.3
SSS	32,386.1	2,333.0	-	34,719.1
PSS	6,950.6	359.7	-	7,310.3
Total	48,890.5	7,664.3	2,553.7	59,108.5

The past service liabilities quoted above and in the rest of this report are not grossed up for contribution tax provisions.

The employer past service liabilities for each type of membership in each scheme are as follows:

Scheme	Employer past service liabilities at 30 June 2015			
	\$ million			
	Contributors	Deferred members	Pensioners	Total
SASS	6,505.6	-	1,057.3	7,562.9
SANCS	1,990.9	-	-	1,990.9
SSS	2,852.8	399.9	29,133.4	32,386.1
PSS	1,160.3	18.4	5,772.0	6,950.6
Total	12,509.6	418.3	35,962.7	48,890.5

The employer unfunded liabilities by scheme at 30 June 2015 are as follows:

Scheme	Employer past service liabilities \$ million (1)	Employer reserve \$ million (2)	Employer unfunded liabilities
			\$ million + (1) – (2)
SASS	7,562.9	5,691.9	1,871.0
SANCS	1,990.9	1,487.7	503.2
SSS	32,386.1	20,353.4	12,032.7
PSS	6,950.6	4,231.4	2,719.2
Total	48,890.5	31,764.4	17,126.1

For comparison, the employer unfunded liabilities by scheme at 30 June 2012 were:

Scheme	Employer past service liabilities \$ million (1)	Employer reserve \$ million (2)	Employer unfunded liabilities
			\$ million + (1) – (2)
SASS	7,559.5	4,550.2	3,009.3
SANCS	2,202.5	1,373.3	829.2
SSS	28,016.5	15,922.7	12,093.8
PSS	6,398.2	3,351.7	3,046.5
Total	44,176.7	25,197.9	18,978.8

The asset coverage of past service liabilities (for employer funded liabilities and at total scheme level) of each scheme at 30 June 2015 and 30 June 2012 are:

Asset coverage of past service liabilities by scheme				
Scheme	Employer past service liabilities		Total past service liabilities	
	At 30 June 2015	At 30 June 2012	At 30 June 2015	At 30 June 2012
SASS	75%	60%	87%	77%
SANCS	75%	62%	80%	67%
SSS	63%	57%	65%	61%
PSS	61%	52%	63%	55%
Total	65%	57%	71%	65%

The asset coverage of the past service liabilities has improved from 30 June 2012 to 30 June 2015 due to the following key items of positive experience:

- Better than expected investment returns – the returns on the Fund's assets averaged 14.4% per annum in the three years to 30 June 2015 (based on the Fund's financial statements). This compares to 7.3% p.a. assumed for non-pensioner assets and 8.3% p.a. assumed for pensioner assets.
- Employer contributions were in excess of the cost of the benefit accrual in the three years to 30 June 2015.
- Pension indexations in the three years to 30 June 2015 were lower than expected.

The effect of the above positive experience items has been partially offset by a change in the valuation assumptions, most notably the reduced investment return/discount rate assumption reflecting current economic conditions.

Reconciliation of schemes' funding positions, 30 June 2012 – 30 June 2015

The table below sets out the key factors that contributed to the change in funding position for each scheme from 30 June 2012 to 30 June 2015.

Item	SASS	SANCS	SSS	PSS	Total
Surplus/(deficiency) at 1 July 2012	-3,009.3	-829.2	-12,093.8	-3,046.5	-18,978.8
Unwinding of discounting on the 2012 deficiency to 30 June 2015	-708.3	-195.2	-3,225.7	-812.6	-4,941.8
Actual investment return higher than assumed	969.5	316.9	4,183.7	874.9	6,345.0
Impact of additional employer contributions in excess of benefit accruals	838.9	255.1	1,153.7	382.3	2,630.0
Salary experience different from assumed	-61.8	-19.0	-76.6	54.6	-102.8
Lower than assumed pension indexation	9.0	-	230.3	46.0	285.3
Pensioner experience – different mortality and commutation experience from assumed	5.4	-	-85.8	36.5	-43.9
Other experience items and rounding (further comments below)	110.0	37.9	51.4	91.0	290.3
Surplus/(deficiency) at 30 June 2015 on 30 June 2012 valuation basis	-1,846.6	-433.5	-9,862.8	-2,373.8	-14,516.7
Changes in pensioner assumptions – including pensioner mortality rates and improvements, percentage married at death and spouse commutation rates	66.7	0.0	-588.3	-34.8	-556.3
Higher pension take-up assumed for SASS and PSS	-8.1	0.0	0.0	-59.3	-67.4
Lower PSS Hurt on Duty assumptions	0.0	0.5	0.0	37.0	37.5
Lower short-term redundancies assumed for SASS and SSS (and their associated SANCS liabilities)	88.1	23.4	13.9	0.0	125.4
Changes in salary increase assumptions	77.3	18.4	-1.5	127.0	221.2
Reduction in investment return/discount rate assumption	-260.5	-51.1	-1,588.7	-400.9	-2,301.2
Other assumption changes	12.1	-60.9*	-5.3	-14.4	-68.5
Surplus/(deficiency) at 30 June 2015 on 30 June 2015 valuation basis	-1,871.0	-503.2	-12,032.7	-2,719.2	-17,126.1

The 'other experience items and rounding' include the following for each scheme:

- SASS – an improvement due to fewer retrenchment exits than assumed, partially offset by higher than expected pension take up by eligible SASS members
- SANCS – an improvement due to fewer than assumed exits due to fewer retrenchments for SASS and SSS and fewer PSS Hurt on Duty exits
- SSS – fewer than assumed retrenchment exits offset by earlier than assumed retirements of SSS contributors
- PSS – an improvement due to fewer than assumed PSS Hurt on Duty exits, average Hurt on Duty pension lower than 100% of salary assumed.

**The SANCS 'other assumption changes' item includes the impact of adopting SSS and PSS demographic assumptions for their associated SANCS liabilities. This brings forward the timing of the assumed retirements and leads to increased liabilities. In the 2012 valuation, SASS demographic assumptions were adopted for all SANCS members.*

Valuation results by sector

The sector classification of the Pooled Fund employers is described in Chapter 3, Volume I of the *Actuarial Valuation Report* available on the State Super website.

The employer unfunded liabilities by sector are as follows:

Sector	Employer past service liabilities \$ million (1)	Employer reserve \$ million (2)	Employer unfunded liabilities \$ million (1) – (2)
General Government	41,746.7	27,627.4	14,119.2
Universities	3,736.4	828.2	2,908.3
PTEs and others	3,407.4	3,308.8	98.6
Total	48,890.5	31,764.4	17,126.1

The asset coverage of past service liabilities by sector at 30 June 2015 and 30 June 2012 are:

Asset coverage of past service liabilities by Scheme				
Scheme	Employer past service liabilities		Total past service liabilities	
	At 30 June 2015	At 30 June 2012	At 30 June 2015	At 30 June 2012
General Government	66%	56%	72%	64%
Universities	22%	32%	27%	38%
PTEs and others	97%	86%	98%	89%
Total	65%	57%	71%	65%

Recommended contribution rates

General Government sector

The 2014-15 Budget Statement included the comment:

The Government has made a commitment to fully fund all general government sector liabilities by 2030 ... contributions are set to meet forecast benefit payments and to build sufficient assets over time to fully fund superannuation liabilities by 2030, in accordance with the *Fiscal Responsibility Act 2012*.

Non-Crown General Government sector employers are assumed to continue to contribute at recent levels of contributions as a percentage of members' salaries. The contributions for the Crown are determined to fully fund the General Government sector by 30 June 2030.

The current funding plan for the General Government sector is to determine the contributions which, when increased at 5% per annum, will fully fund the sector by 30 June 2030. This is a reasonable strategy. At the present time, this funding strategy results in relatively stable contributions from year to year, but in the years close to 2030 there is the potential for significant variation in the contribution level unless the investment strategy has relatively low volatility.

Based on the current funding plan for the General Government Sector and projected position to 2030 the Scheme Actuary believes the current contribution plan can be maintained. However, given the current projections show a projected shortfall at 2030 of around \$2 billion, the contribution schedule should continue to be reviewed annually and adjusted if required.

Universities

The Commonwealth and NSW Governments entered into a Memorandum of Understanding (MoU) in December 2014 to provide financial assistance for the unfunded superannuation liabilities of the NSW Universities.

Under the agreement the Commonwealth and NSW Governments have agreed to assist the universities with their unfunded superannuation liabilities through the provision of funds on a 78/22 per cent basis. The universities will continue to contribute at their current rate of 17% of salaries per annum and further additional contributions in respect of 'Excess salaries' as set out in the MoU.

The Commonwealth and NSW Governments will make payments to the Fund on a pay-as-you-go basis with the aim of maintaining a one-year asset buffer at all times to meet expected benefit payments.

Public Trading Enterprises and other employers

As a group, Public Trading Enterprises (PTEs) and other employers have a deficiency on the funding basis of \$0.1 billion. Funding plans for each of these entities are reviewed annually. Recommended individual funding plans for each employer are set out in s. 9 Volume II.

It is further recommended that:

- those employers that are not State backed be identified;
- the relevant legislation be altered so that contribution levels for non-State backed employers be determined by the Trustee; that is, there is no involvement of NSW Treasury in setting the contributions.
- for non-State backed entities the contribution recommendations should be adjusted (where necessary) to at least the level required if the superannuation arrangements were regulated by APRA.

Key valuation assumptions

The key long-term economic assumptions for this valuation are as follows (2012 assumptions included for comparison):

		2015 valuation	2012 valuation
Rate of investment return / discount rate			
Assets supporting pensioner liabilities		7.8% p.a.	8.3% p.a.
Assets supporting non-pensioner liabilities		6.8% p.a.	7.3% p.a.
General salary increase assumption*	Short-term	4 years to 30 June 2019 3.0% p.a.	6 years to 30 June 2018 2.7% p.a. for SASS, SSS and SANCS, 3.5% p.a. for PSS
	Long-term	3.5% p.a.	4.0% p.a.
Rate of CPI increase		2.5% p.a.	2.5% p.a.

* Promotional salary increases are additional to the general salary increases assumed.

The reductions in the assumed rates of investment return and salary increases in the 2015 valuation reflect a lower growth outlook based on current economic conditions.

The assumed rate of CPI increase has been kept as the mid-point of the Reserve Bank of Australia's target range.

The key demographic assumption changes for this valuation are:

- continued improvements (i.e. reduction) in pensioner mortality rates are incorporated into the assumptions
- retrenchment assumptions have been revised after consultation with NSW Treasury
- an increase in the assumed pension take up rate from 28% in 2012 to 50% in 2015 for eligible SASS members in line with scheme experience
- increases to the assumed rates of preservation on resignation for SASS members in line with scheme experience
- adjustments to the PSS Hurt on Duty assumptions and SASS Police members' assumed rates of disability in line with experience.

A detailed report on the analysis of the Pooled Fund demographic experience and the full 2015 demographic assumptions are included in Volume II of the *Actuarial Valuation Report* available on the State Super website.

Sensitivity results

Sensitivity runs were carried out, and the results are set out in the following tables:

Basis	Employer Past Service Liabilities \$ million					Change in past service liabilities
	SASS	SANCS	SSS	PSS	Total	
Standard	7,562.9	1,990.9	32,386.1	6,950.6	48,890.5	
Investment return / Discount rate plus 1%	7,058.2	1,891.3	29,338.5	6,185.4	44,473.5	-4,417.0
Investment return / Discount rate minus 1%	8,139.2	2,101.3	36,005.7	7,882.8	54,129.0	5,238.4
Salary increases plus 1%	7,970.5	2,101.5	32,496.2	7,011.2	49,579.5	689.0
Salary increases minus 1%	7,190.1	1,889.4	32,281.9	6,893.1	48,254.6	-636.0
CPI increases plus 1%	7,733.1	1,990.8	36,101.9	7,862.1	53,687.8	4,797.3
CPI increases minus 1%	7,415.3	1,991.2	29,208.6	6,189.8	44,804.8	-4,085.7
Higher pensioner mortality*	7,549.1	1,990.9	32,164.4	6,900.5	48,604.9	-285.7
Lower pensioner mortality**	7,584.2	1,990.9	32,656.1	7,035.3	49,266.4	375.8

* Assumes the long-term pensioner mortality improvement factors for years post 2021 also apply for years 2015 to 2021.

** Assumes the short-term pensioner mortality improvement factors for years 2015-2021 also apply for years post 2021.

The sensitivity results above show that:

- the investment return/discount rate assumption has the most impact on the funding position of the Pooled Fund
- for SASS and SANCS, the rate of salary increase also has a material impact.

For SSS and PSS, the rate of increase in CPI has a major impact because of the pension benefit design of these two schemes. The rate of salary increase has much less impact because of the maturity of the contributory membership. In respect of pensioner mortality, extending the higher-level improvements indefinitely increased the unfunded liability by less than 1%. Therefore, the impact of pensioner mortality assumptions has much less impact compared to the impact of the financial assumptions.

Summary of membership

The number of members by member type for each scheme at 30 June 2015 is as follows:

Scheme	At 30 June 2015			Total
	Contributing members	Deferred members	Pension members	
SASS	28,552	10,354	4,167	43,073
SANCS	36,933 [^]	11,763	–	48,696
SSS	7,113	1,551 [#]	53,498 ^{**}	62,162
PSS	1,275	114	6,555	7,944
Total	73,873	23,782	64,220	161,875

For comparison, the number of members by member type for each scheme at 30 June 2012 is as follows:

Scheme	At 30 June 2012			Total
	Contributing members	Deferred members	Pension members	
SASS	38,004	10,530	3,888	52,422
SANCS	53,064 [^]	12,479	-	65,543
SSS	13,405	2,302 [#]	49,068 ^{**}	64,775
PSS	1,666	133	6,522	8,321
Total	106,139	25,444	59,478	191,061

[^] All SASS, SSS and PSS contributors are also members of SANCS (with the exception of Sydney Grammar). There are no SANCS contributory members who are not members of SASS, SSS or PSS. Nearly all of the SANCS deferred members are also deferred members of SASS, SSS or PSS. Thus there is some double-counting in the totals.

^{*} Exclude fully commuted pensioners who are not currently in receipt of a pension payment. There were 17,652 fully commuted pensioners at 30 June 2012 and 17,277 at 30 June 2015. The spouses of these fully commuted pensioner are eligible for a reversionary pension and the past service liabilities for SSS include a liability provision for these spouse reversions.

[#] SSS deferred members who have not met a SIS condition of release but who are currently receiving pension payments into their deferred benefit accounts within the Pooled Fund are treated as current pensioners for the purposes of actuarial investigations. These members are excluded from the SSS deferred member counts and included in pensioner member counts above. There were 496 such SSS members at 30 June 2015 and 447 at 30 June 2012.



Richard Boyfield
Fellow of the Institute of Actuaries of Australia



Christopher Brown
Fellow of the Institute of Actuaries of Australia

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Part G

Financial statements of the SAS Trustee Corporation

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INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of SAS Trustee Corporation (the Corporation), which comprise the statements of financial position as at 30 June 2017, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2017, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the *Public Finance and Audit Regulation 2015*.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibility for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

The Board's Responsibility for the Financial Statements

The members of the Trustee Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members of the Board determine 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 members of the Board must assess the ability of the Corporation and the consolidated entity to continue as a going concern except where operations will be dissolved by an Act of Parliament or otherwise cease. The assessment must, disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility 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
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Corporation or the consolidated entity carried out their activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar
Director, Financial Audit Services

6 October 2017
SYDNEY

SAS TRUSTEE CORPORATION

ABN 29 239 066 746

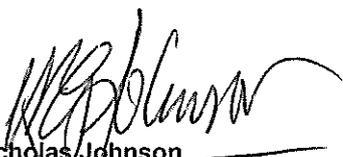
**Statement by the Trustee Board
for the year ended 30 June 2017**

Pursuant to section 41C of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we state that in our opinion the financial statements:

1. give a true and fair view of the financial position of the SAS Trustee Corporation as at 30 June 2017 and financial performance for the year ended, and
2. have been prepared in accordance with the Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and the Treasurer's Directions.

Further, we are not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 5th day of October 2017.


Nicholas Johnson
Chairperson
SAS Trustee Corporation


Claire Keating
Board Member and Chairperson of the
Risk, Audit and Compliance Committee
SAS Trustee Corporation

SAS TRUSTEE CORPORATION

**Consolidated Statement of Comprehensive Income
for the year ended 30 June 2017**

	Note	Economic Entity 2017 \$'000	Economic Entity 2016 \$'000	Parent Entity 2017 \$'000	Parent Entity 2016 \$'000
Revenue					
Operating Revenue	3	41,517	49,317	39,279	47,258
Expenses					
Operating Expenses	3	(41,508)	(47,915)	(39,279)	(47,258)
Operating Result		9	1,402	-	-
Other Comprehensive Income					
Items that will not be reclassified into Operating Result:					
Superannuation actuarial re-measurement (losses)	10	(9)	(1,402)	-	-
Total Comprehensive Income		-	-	-	-

The accompanying notes form an integral part of the above Consolidated Statement of Comprehensive Income

SAS TRUSTEE CORPORATION

Consolidated Statement of Financial Position as at 30 June 2017	Note	Economic Entity 2017 \$'000	Economic Entity 2016 \$'000	Parent Entity 2017 \$'000	Parent Entity 2016 \$'000
Current Assets					
Cash and Cash Equivalents		7,487	2,071	7,487	2,071
Receivables	4	6,629	9,804	6,344	9,565
Other Current Assets		420	77	420	77
Total Assets		14,536	11,952	14,251	11,713
Current Liabilities					
Payables	5	10,050	6,648	14,251	11,713
Provisions	6	4,384	5,107	-	-
Total Current Liabilities		14,434	11,755	14,251	11,713
Non-Current Liabilities					
Provisions	6	102	197	-	-
Total Non-Current Liabilities		102	197	-	-
Total Liabilities		14,536	11,952	14,251	11,713
Net Assets		-	-	-	-
Accumulated Funds		-	-	-	-

The accompanying notes form an integral part of the above Consolidated Statement of Financial Position

SAS TRUSTEE CORPORATION

**Consolidated Statement of Cash Flows
for the year ended 30 June 2017**

Note	Economic Entity 2017 \$'000	Economic Entity 2016 \$'000	Parent Entity 2017 \$'000	Parent Entity 2016 \$'000
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Cash Flows from Operating Activities

Receipts from Pooled Fund Schemes		40,822	46,024	38,583	43,964
Interest Received		48	42	48	42
Payments to Suppliers and Employees		(35,454)	(46,500)	(33,215)	(44,440)
<hr/>					
Net Cash Flows from Operating Activities	11	5,416	(434)	5,416	(434)
<hr/>					
Net Increase/(Decrease) in Cash & Cash Equivalents		5,416	(434)	5,416	(434)
<hr/>					
Opening Cash & Cash Equivalents		2,071	2,505	2,071	2,505
<hr/>					
Closing Cash & Cash Equivalents		7,487	2,071	7,487	2,071

The accompanying notes form an integral part of the above Consolidated Statement of Cash Flows

SAS TRUSTEE CORPORATION

Consolidated Statement of Changes in Equity for the year ended 30 June 2017	Note	Economic Entity 2017 \$'000	Economic Entity 2016 \$'000	Parent Entity 2017 \$'000	Parent Entity 2016 \$'000
Balance at 1 July		-	-	-	-
Operating Result		9	1,402	-	-
Other Comprehensive Income					
Superannuation actuarial re-measurement (losses)	10	(9)	(1,402)	-	-
Total Comprehensive Income		-	-	-	-
Balance at 30 June		-	-	-	-

The accompanying notes form an integral part of the above Consolidated Statement of Changes in Equity

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2017

1. OPERATIONS

Under the terms of the *Superannuation Administration Act 1996* (the Act), the SAS Trustee Corporation (STC) is trustee for all assets of the SAS Trustee Corporation Pooled Fund ("the Pooled Fund"). STC is economically dependent on the Pooled Fund. STC is a statutory body domiciled in NSW Australia. Its registered address is Level 16, 83 Clarence Street, Sydney, NSW, 2000.

Scheme administration services for the Pooled Fund are carried out by Mercer Administration Services (Mercer Administration). Mercer Administration charges fees for the services it provides.

The Pooled Fund is a separate reporting entity for accounting and taxation purposes.

The STC Staff Agency provides personnel services to STC and the Pooled Fund and is controlled by STC. The STC Economic Entity includes all transactions of STC and the STC Staff Agency. The principles of consolidation are described at note 2(b) below. STC is consolidated as part of the NSW Total State Sector Accounts.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance and Basis of Preparation

The financial statements are general purpose financial statements and are prepared in accordance with –

- the *Public Finance and Audit Act 1983*
- the Public Finance and Audit Regulation 2015
- the Treasurer's Directions, and
- Australian Accounting Standards and Interpretations.

Both the Economic Entity and the Parent Entity are not-for-profit entities.

The accounting policies adopted in preparing the financial statements have been consistently applied during the year, unless otherwise stated. All amounts are expressed in Australian dollars and rounded to the nearest thousand dollars.

The financial statements were authorised for issue by the Trustee Board on 5th October 2017.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2017

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and the operating results of the Parent Entity (SAS Trustee Corporation) and its controlled entity, the STC Staff Agency.

Transactions and balances between the Parent Entity and the controlled entities are eliminated on consolidation. The Parent Entity and its controlled entity are referred to in these financial statements as the "Economic Entity". The STC Staff Agency prepares separate financial statements.

c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received for the rendering of services.

Management fee is the reimbursement from the Pooled Fund for all costs relating to scheme administration and executive management incurred by STC and comprise of the direct expenses of the Parent Entity and administration fees from Mercer Administration. Under the terms of the Act, STC must recover the costs it incurs from the Pooled Fund. Consequently, it recognises an amount equal to the costs incurred at the time the services are delivered.

d) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities. The instruments include cash at bank, receivables and payables. All classes of instruments are initially recorded at cost and receivables and payables are subsequently measured at amortised cost. As such, inputs for valuing the receivables and payables are not based on observable market data. Such measurement provides a reliable estimate of the instrument. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

e) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that became effective for the first time for the annual reporting period are outlined below.

AASB 2015–2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 –

The amendments adopted by STC streamlined disclosures in the financial statements.

AASB 2015–6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-profit Public Sector Entities –

These amendments extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities. The requirements of this standard have been disclosed in the financial statements.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2017

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

f) Accounting standards issued but not yet effective

At the date of authorisation of the financial statements the following accounting standards have been issued but not yet effective. The impact of these standards and interpretations are outlined below.

AASB 9 Financial Instruments –

The standard will be implemented for the year ending 30 June 2019. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets and financial liabilities. This Standard is not expected to materially impact the financial statements.

AASB 16 Leases -

This standard replaces AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*. The standard brings most leases onto the balance sheet and would have the most impact on lessee accounting. The standard first applies for the year ending on or after 30 June 2020. This standard may result in material changes to the financial statements but the quantitative effect has not yet been determined.

g) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparatives have been restated to improve the presentation.

h) Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements for the year ended 30 June 2017. The defined benefit superannuation liabilities have been actuarially determined. The key assumptions are disclosed in note 10.

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2017**

3. OPERATING RESULT	Economic Entity 2017 \$'000	Economic Entity 2016 \$'000	Parent Entity 2017 \$'000	Parent Entity 2016 \$'000
Revenue				
Management Fees	41,164	48,989	38,926	46,930
Interest revenue	48	42	48	42
Other revenue	305	286	305	286
Total Revenue	41,517	49,317	39,279	47,258
Trustee Expenses				
Board Member Fees	522	531	522	531
Other Expenses	149	88	149	88
Total Trustee Expenses	671	619	671	619
Executive Expenses				
Employee Related Expenses	8,043	8,599	-	-
Superannuation	672	770	-	-
Personnel Services Expenses	-	-	6,486	8,712
Lease Expenses	1,012	933	1,012	933
Other Expenses	1,615	1,627	1,615	1,627
Total Executive Expenses	11,342	11,929	9,113	11,272
Fund Expenses				
Administration Fees	23,687	24,283	23,687	24,283
Regulatory, Governance & Process Improvement Initiatives	2,361	6,622	2,361	6,622
Fees for Services	2,850	3,795	2,850	3,795
Other Expenses	597	667	597	667
Total Fund Expenses	29,495	35,367	29,495	35,367
Total Expenses	41,508	47,915	39,279	47,258
Result	9	1,402	-	-

Audit fees of \$23,000 (2016: \$22,000) for the STC and the STC Staff Agency are included in the total expenses.

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2017**

3. OPERATING RESULT (Continued)

Lease payments made during the year comprised	Economic Entity 2017 \$'000	Economic Entity 2016 \$'000	Parent Entity 2017 \$'000	Parent Entity 2016 \$'000
Minimum lease payments	977	910	977	910
	977	910	977	910

4. RECEIVABLES	Economic Entity 2017 \$'000	Economic Entity 2016 \$'000	Parent Entity 2017 \$'000	Parent Entity 2016 \$'000
Current				
Receivables from Pooled Fund	5,921	8,648	5,921	8,648
Other Receivables	423	917	423	917
Superannuation (refer Note 11)				
- SASS	42	24	-	-
- SANCS	243	215	-	-
	6,629	9,804	6,344	9,565

5. PAYABLES	Economic Entity 2017 \$'000	Economic Entity 2016 \$'000	Parent Entity 2017 \$'000	Parent Entity 2016 \$'000
Current				
Payables to Mercer Administration (Administration Fees)	2,004	2,018	2,004	2,018
Other Payables	8,046	4,630	8,046	4,630
Amounts Payable – STC Staff Agency	-	-	4,201	5,065
	10,050	6,648	14,251	11,713

All payables are within agreed trading terms.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2017

B. PROVISIONS	Economic	Economic	Public	Public
	Entity	Entity	Entity	Entity
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Employee Benefits	500	1,383	-	-
Superannuation (refer Note 11)				
- SSS	3,884	3,724	-	-
	4,384	5,107	-	-
Non-current				
Employee Benefits	102	197	-	-
	102	197	-	-

Employee Benefits

Wages, salaries and annual leave

The provision for employee benefits relating to wages, salaries and annual leave represents the amount which the Economic Entity has a present obligation to pay resulting from employees' services provided up to the balance date. These provisions are expected to be settled within 12 months and are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Such measurement provides a reliable estimate of the liability. All amounts include the salary of STC's Chief Executive Officer, whose contract is direct with STC.

Long service leave

The liability for employee benefits relating to long service leave is measured at their discounted value using the risk-free rate mandated by NSW Treasury. Such measurement provides a reliable estimate of the liability.

Superannuation

Any unfunded superannuation liability is recognised as a liability in the Statement of Financial Position and amounts representing pre-paid superannuation contributions are recognised as an asset. For the year ended 30 June 2017, the Economic Entity met in full the total superannuation liabilities for its employees. The contributions made to superannuation funds are charged against the operating result. Any actuarial gains and losses are recognised in comprehensive income in the year in which the gain or loss occurs.

7. FAIR VALUE AND FINANCIAL RISKS

Unless subject to specific measurement requirements of relevant Accounting Standard, all assets and liabilities are measured and reported at fair value. STC is exposed to minimal financial risk as its governing legislation permits STC to recover all its costs from the Pooled Fund.

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2017**

**8. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL
COMPENSATION**

The following were key management personnel of the STC Economic Entity during the year and the comparative year.

Non-executive Trustees

Ms C Bolger (term commenced 25 September 2015)
Mr A Claassens (term completed 4 November 2016 - term recommenced 5 November 2016)
Ms S Constant (term commenced 26 August 2015 – term completed 24 November 2015)
Ms S Dave (term commenced 24 May 2016)
Mr N Johnson
Ms C Keating (term commenced 10 November 2016)
Mr G Maniatis (term commenced 25 September 2015)
Ms K Moses (term completed 19 March 2016 – term recommenced 31 March 2016)
Mr T O'Grady (term completed 24 June 2017 – term recommenced 14 September 2017)
Ms R Ramwell
Mr P Scully (term completed 9 August 2015)
Mr G Venardos (term completed 4 November 2016)

Executive Officers

Mr R Hedley (from 1 October 2016)
Mr J Livanas
Ms A Lowe (until 26 October 2016)
Mr J Narayan (from 6 October 2015)
Mr A Parapuram (from 30 November 2016)
Mr N Patel (from 1 October 2016)
Ms L Rasmussen (until 30 November 2016)
Ms A Samuel
Ms N Siratkov
Ms L Tsitsis (until 30 November 2016)

The key management personnel compensation in relation to services to STC is as follows	Economic Entity 2017 \$'000	Economic Entity 2016 \$'000	Parent Entity 2017 \$'000	Parent Entity 2016 \$'000
Board member compensation	522	530	-	-
Short-term employee benefits	2,521	2,933	-	-
Termination benefits	1,568	-	-	-
Other long term employee benefits	19	36	-	-
	4,630	3,499	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2017

9. RELATED PARTY INFORMATION

a) Transactions entered during the year with Key Management Personnel and their Related Entities:

	2017 \$'000	2016 \$'000
Consulting fees paid to STC Board Member Ms. C Keating by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services	94	-
Director fees paid to STC Board Member Ms. R Ramwell by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services	32	-

b) The following Board Members were members of the Fund schemes during the reporting period or up to the date of the financial statements (including comparative year): T O'Grady and A Claassens. Their membership terms and conditions were the same as those applied to other members of the Fund schemes.

10. SUPERANNUATION

The Economic Entity participates in the following closed defined benefit superannuation schemes for some of its staff –

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

The schemes are all defined benefit schemes because at least a component of the final benefit is derived from a multiple of the member's salary and years of scheme membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All the schemes are closed to new members.

Description of the schemes' regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation and their associated regulations –

- *Superannuation Act 1916*
- *State Authorities Superannuation Act 1987*
- *State Authorities Non-Contributory Superannuation Scheme Act 1987.*

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2017

10. SUPERANNUATION (Continued)

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor STC's (in its capacity as Trustee Board) adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015, the next actuarial investigation will be performed as at 30 June 2018.

STC (in its capacity as Trustee Board) is responsible for the governance of the Fund and has a legal obligation to act solely in the best interests of fund beneficiaries. STC (in its capacity as Trustee Board) has the following roles –

- administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- management and investment of the Fund assets; and
- compliance with other applicable regulations.

Description of risks

There are a number of risks to which the Fund exposes STC as a participating employer. The more significant risks relating to the defined benefits are –

- investment risk - The risk that investment returns will be lower than assumed and the participating employer will need to increase contributions to offset this shortfall
- longevity risk – The risk that pensioners live longer than assumed, increasing future pensions
- salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional contributions from the participating employer
- legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2017**

10. SUPERANNUATION (Continued)

The following information has been prepared by the Scheme actuary.

Reconciliation of the Net Defined Benefit Liability/(Asset)

Economic Entity As at 30 June 2017	SASS \$'000	SANCS \$'000	SSS \$'000
Net Defined Benefit Liability/(Asset) at start of year	(24)	(215)	3,724
Current service cost	30	5	-
Net interest on the net defined benefit liability/(asset)	(1)	(4)	74
Past service cost	-	-	-
(Gains)/losses arising from settlements	-	-	-
Actual returns on Fund assets less interest income	(60)	(21)	(356)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	(869)
Actuarial (gains)/losses arising from liability experience	13	(8)	1,311
Adjustment for effect of asset ceiling	-	-	-
Employer contributions	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	(42)	(243)	3,884

Economic Entity As at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000
Net Defined Benefit Liability/(Asset) at start of year	(82)	(220)	2,286
Current service cost	33	6	-
Net interest on the net defined benefit liability/(asset)	(2)	(7)	69
Past service cost	-	-	-
(Gains)/losses arising from settlements	-	-	-
Actual returns on Fund assets less interest income	(2)	-	(5)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	317
Actuarial (gains)/losses arising from changes in financial assumptions	32	7	1,028
Actuarial (gains)/losses arising from liability experience	(3)	(1)	29
Adjustment for effect of asset ceiling	-	-	-
Employer contributions	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	(24)	(215)	3,724

The Superannuation actuarial re-measurement loss of \$9,000 (2016 \$1,402,000) comprises of actuarial gains/losses arising from changes to demographic assumptions, financial assumptions and liability experience.

This amount is disclosed under Other Comprehensive Income in compliance with AASB119 requirements.

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2017**

10. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets

Economic Entity As at 30 June 2017	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Fair value of fund assets at beginning of the year</i>	1,039	327	5,000
Interest income	19	6	96
Actual return on Fund assets less interest income	60	21	356
Employer contributions	-	-	-
Contributions by participants	12	-	-
Benefits paid	(1,095)	(148)	(364)
Taxes, premiums and expenses paid	-	1	56
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	35	207	5,144

Economic Entity As at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Fair value of fund assets at beginning of the year</i>	1,001	317	5,188
Interest income	29	10	152
Actual return on Fund assets less interest income	2	1	5
Employer contributions	-	-	-
Contributions by participants	15	-	-
Benefits paid	(7)	-	(372)
Taxes, premiums and expenses paid	(1)	(1)	27
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	1,039	327	5,000

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2017**

10. SUPERANNUATION (Continued)

Reconciliation of the Defined Benefit Obligation

Economic Entity As at 30 June 2017	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of defined benefit obligation at beginning of the year</i>	1,015	112	8,724
Current service cost	30	5	-
Interest cost	19	2	170
Contributions by participants	12	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	(869)
Actuarial (gains)/losses arising from liability experience	13	(8)	1,311
Benefits paid	(1,095)	(148)	(365)
Taxes, premiums and expenses paid	-	1	56
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Past service cost	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of defined benefit obligation at end of the year</i>	(6)	(36)	9,027

Reconciliation of the Defined Benefit Obligation (Continued)

Economic Entity As at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of defined benefit obligation at beginning of the year</i>	920	97	7,474
Current service cost	33	6	-
Interest cost	27	3	221
Contributions by participants	15	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	316
Actuarial (gains)/losses arising from changes in financial assumptions	32	7	1,028
Actuarial (gains)/losses arising from liability experience	(4)	-	29
Benefits paid	(7)	-	(371)
Taxes, premiums and expenses paid	(1)	(1)	27
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Past service cost	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of defined benefit obligation at end of the year</i>	1,015	112	8,724

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2017**

10. SUPERANNUATION (Continued)

Reconciliation for the effect of the asset ceiling

Economic Entity As at 30 June 2017	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Adjustment for effect of asset ceiling at beginning of the year</i>	-	-	-
Change in the effect of asset ceiling	-	-	-
<i>Adjustment for effect of asset ceiling at end of the year</i>	-	-	-

Economic Entity As at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Adjustment for effect of asset ceiling at beginning of the year</i>	-	-	-
Change in the effect of asset ceiling	-	-	-
<i>Adjustment for effect of asset ceiling at end of the year</i>	-	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2017

10. SUPERANNUATION (Continued)

Fair value of Fund assets

All of the Fund's assets are invested by STC (in its capacity as the Trustee Board) at arm's length through independent fund managers and assets are not separately invested for each participating employer. As such, the following disclosures relate to the Pooled Fund's total assets.

2017 Asset category	Total (\$m)	Level 1 (\$m)	Level 2 (\$m)	Level 3 (\$m)
Short term securities	3,087	3,077	10	-
Australian fixed interest	2,501	1	2,500	-
International fixed interest	481	-	481	-
Australian equities	9,447	8,948	499	-
International equities	12,054	9,034	3,020	-
Property	3,453	926	533	1,994
Alternatives	9,066	391	5,068	3,607
Total	40,089	22,377	12,111	5,601

2016 Asset category	Total (\$m)	Level 1 (\$m)	Level 2 (\$m)	Level 3 (\$m)
Short term securities	2,050	2,044	6	-
Australian fixed interest	2,721	3	2,718	-
International fixed interest	835	(1)	836	-
Australian equities	9,721	9,172	549	-
International equities	12,094	9,026	3,068	-
Property	3,650	1,113	619	1,918
Alternatives	7,116	470	3,122	3,524
Total	38,187	21,827	10,918	5,442

Note

- Level 1 refers to assets and liabilities for which there are quoted prices in active markets for identical assets and liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 refers to assets and liabilities that have significant valuation inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets and liabilities in this level are notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are not available in active markets for identical assets or liabilities.
- Level 3 refers to assets and liabilities that are not based on observable market data. The assets and liabilities in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2017**

10. SUPERANNUATION (Continued)

The percentage of fund assets invested in each asset class at 30 June 2017

	2017	2016
Short term securities	8%	5%
Australian fixed interest	6%	7%
Overseas fixed interest	1%	2%
Australian equities	24%	25%
International equities	30%	32%
Property	9%	10%
Alternatives	22%	19%
	100%	100%

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

The Fund does not hold any financial instruments issued by STC.

Significant actuarial assumptions as at 30 June

	2017	2016
Discount rate	2.62%	1.99%
Salary increase rate (excluding promotional increases)	2.50%	2.50%
Rate of CPI increase	2.00%	1.50%
Pensioner mortality	as per the 2015 Actuarial Investigation of the Pooled Fund	as per the 2015 Actuarial Investigation of the Pooled Fund

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2017**

10. SUPERANNUATION (Continued)

Sensitivity analysis

The total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. Scenarios A to F relate to the sensitivity of the total defined benefit obligation to economic assumptions. Scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -1.0% Discount rate	Scenario B +1.0% Discount rate
Discount rate	2.62%	1.62%	3.62%
Salary increase rate	2.50%	2.50%	2.50%
Rate of CPI increase	2.00%	2.00%	2.00%
Defined benefit obligation (\$'000)	8,985	10,380	7,836

	Base Case	Scenario C +0.5% Rate of CPI Increase	Scenario D -0.5% Rate of CPI Increase
Discount rate	2.62%	2.62%	2.62%
Salary increase rate	2.50%	2.50%	2.50%
Rate of CPI increase	2.00%	2.50%	1.50%
Defined benefit obligation (\$'000)	8,985	9,659	8,368

	Base Case	Scenario E +0.5% Salary increase rate	Scenario F -0.5% Salary increase rate
Discount rate	2.62%	2.62%	2.62%
Salary increase rate	2.50%	3.00%	2.00%
Rate of CPI increase	2.00%	2.00%	2.00%
Defined benefit obligation (\$'000)	8,985	8,985	8,985

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2017

10. SUPERANNUATION (Continued)

Sensitivity analysis (Continued)

	Base Case	Scenario 3 +2% Pensioner mortality rates	Scenario 4 +50% Pensioner mortality rates
Defined benefit obligation (\$'000)	8,985	9,163	8,862

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-liability matching strategies

STC, in its capacity as trustee of the Fund, ensures it maintains an appropriate asset strategy to pay benefits as the benefits fall due.

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2017**

10. SUPERANNUATION (Continued)

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. The next triennial review will take place at the end of 2018. Contribution rates are set after discussions between STC in its capacity as trustee of the Schemes and NSW Treasury. STC in its capacity of trustee of the schemes reviews funding positions annually and contributions may be adjusted in response to the review.

Surplus/deficit

The following is a summary of the 30 June financial position of the schemes calculated in accordance with AASB 1056 Superannuation Entities.

Economic Entity As at 30 June 2017	SASS \$'000	SANCS \$'000	SSS \$'000
Accrued benefits	-	-	4,938
Net market value of fund assets	(35)	(207)	(5,144)
Net (surplus)/deficit	(35)	(207)	(206)

Economic Entity As at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000
Accrued benefits	919	121	4,334
Net market value of fund assets	(1,039)	(327)	(5,000)
Net (surplus)/deficit	(120)	(206)	(666)

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2017

10. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Economic Assumptions

Weighted average assumptions	2015 and following
Expected rate of return on fund assets backing current pension liabilities	7.4%
Expected rate of return on fund assets backing other liabilities	6.4%
Expected salary increase rate	2.7% to 30 June 2019 then 3.2% pa thereafter
Expected rate of CPI increase	2.2%

Funding arrangements for employer contributions – Nature of asset/liability:

If a surplus exists in the Economic Entity's interest in the fund, the Economic Entity may be able to take advantage of it in the form of a reduction in required contribution rate. STC in its capacity as the schemes' trustee and NSW Treasury must approve such a reduction. If a deficiency exists the Economic Entity is responsible for any difference between its share of scheme assets and the defined benefit obligation.

The weighted average duration of the defined benefit obligation is 13.1 years.

Expected contributions

Economic Entity Year ended 30 June 2017	SASS	SANGS	SSS
Expected Employer Contributions	-	-	-

Economic Entity Year ended 30 June 2016	SASS	SANGS	SSS
Expected Employer Contributions	-	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2017

11. CASH FLOW INFORMATION

Reconciliation of the Operating Result to Net Cash Used in Operating Activities

	Economic Entity 2017 \$'000 Inflows/ (Outflows)	Economic Entity 2016 \$'000 Inflows/ (Outflows)	Parent Entity 2017 \$'000 Inflows/ (Outflows)	Parent Entity 2016 \$'000 Inflows/ (Outflows)
Operating Result	-	-	-	-
Changes in Assets and Liabilities:				
<u>(Increase)/Decrease in Assets</u>				
Other Current Assets	(343)	242	(343)	242
Receivables				
- Pooled Fund Schemes	2,727	(2,513)	2,727	(2,513)
- Other	(3,393)	78	(3,348)	15
<u>Increase/(Decrease) in Liabilities</u>				
Payables				
- Mercer Administration	(15)	(225)	(15)	(225)
- Other	7,259	421	6,395	2,047
Provisions	(819)	1,563	-	-
Net Cash From/(Used) in Operating Activities	5,416	(434)	5,416	(434)

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2017

12. COMMITMENTS

	Economic Entity 2017 \$'000	Economic Entity 2016 \$'000	Parent Entity 2017 \$'000	Parent Entity 2016 \$'000
Lease Commitments				
Commitments in relation to non-cancellable operating leases contracted for at balance date but not provided for in the accounts, including goods and services tax:				
Payable not later than 1 year	995	956	995	956
Payable later than 1 year and not later than 5 years	1,296	2,377	1,296	2,377
Payable greater than 5 years	-	-	-	-
	2,291	3,333	2,291	3,333

13. CONTINGENT LIABILITIES

Broadly, two classes of contingent liabilities potentially exist in relation to either STC in its capacity as Trustee of the Pooled Fund, or the Fund itself:

- (i) Legal costs and related future benefit payments, if any, in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases, it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund, and in the case of PSS, by the legislation of the scheme which allows the Trustee to make a call on NSW Consolidated Revenues

14. EVENTS AFTER THE REPORTING DATE

There have been no events between 30 June 2017 and the date of approval of this financial report that would significantly impact the financial report.

End of Audited Financial Statements

Part G

Financial statements of the SAS Trustee Staff Agency

(Previously called: SAS Trustee Corporation Division of the Government Service of NSW)

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INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation Staff Agency

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of SAS Trustee Corporation Staff Agency (the Staff Agency), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Staff Agency as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibility for the Audit of the Financial Statements' section of my report.

I am independent of the Staff Agency in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

The Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer of the SAS Trustee Corporation is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer must assess the Staff Agency's ability to continue as a going concern except where the Staff Agency will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

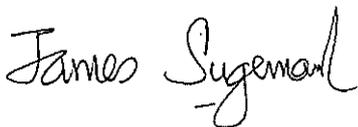
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Staff Agency carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar
Director, Financial Audit Services

6 October 2017
SYDNEY

SAS TRUSTEE CORPORATION STAFF AGENCY

ABN 31 683 571 255

Statement by Chief Executive Officer

for the period ended 30 June 2017

Pursuant to Section 41C of the *Public Finance and Audit Act 1983* I declare that in my opinion the financial statements:

1. give a true and fair view of the financial position of the SAS Trustee Corporation Staff Agency as at 30 June 2017 and financial performance for the year ended, and
2. have been prepared in accordance with the Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2015 and the Treasurer's Directions.

Further, I am not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 5th day of October 2017.



John Livanas
Chief Executive Officer

SAS TRUSTEE CORPORATION STAFF AGENCY

Statement of Comprehensive Income for the year ended 30 June 2017	Note	2017 \$'000	2016 \$'000
Revenue			
Personnel Services		8,725	10,771
Expenses			
Salaries		7,077	7,235
Defined contribution superannuation		567	671
Defined benefit superannuation		105	99
Annual and long service leave		410	820
Other		557	544
		8,716	9,369
Operating Result		9	1,402
Other Comprehensive Income			
Items that will not be reclassified into Operating Result:			
Superannuation actuarial re-measurement (losses)	7	(9)	(1,402)
Total Comprehensive Income		-	-

The accompanying notes form an integral part of the above Statement of Comprehensive Income

SAS TRUSTEE CORPORATION STAFF AGENCY

Statement of Financial Position as at 30 June 2017	Note	2017 \$'000	2016 \$'000
Current Assets			
Receivables	3	4,486	5,304
Total Current Assets		4,486	5,304
<hr/>			
Total Assets		4,486	5,304
Current Liabilities			
Provisions	4	4,384	5,107
Total Current Liabilities		4,384	5,107
Non-Current Liabilities			
Provisions	4	102	197
Total Non-Current Liabilities		102	197
<hr/>			
Total Liabilities		4,486	5,304
Net Assets			
		-	-
<hr/>			
Accumulated Funds		-	-

The accompanying notes form an integral part of the above Statement of Financial Position

SAS TRUSTEE CORPORATION STAFF AGENCY

Statement of Cash Flows for the year ended 30 June 2017	2017 \$'000 Inflows/(Outflows)	2016 \$'000 Inflows/(Outflows)
Cash Flows from Operating Activities		
Receipts	8,725	10,771
Payments to Employees	(8,725)	(10,771)
Net Operating Cash Flows	-	-
<hr/>		
Net Increase/(Decrease) in Cash & Cash Equivalents	-	-
Cash & Cash Equivalents at the beginning of the Financial Year	-	-
<hr/>		
Cash & Cash Equivalents at the End of the Financial Year	-	-

The accompanying notes form an integral part of the above Statement of Cash Flows

SAS TRUSTEE CORPORATION STAFF AGENCY

Statement of Changes in Equity for the year ended 30 June 2017	Note	2017 \$'000	2016 \$'000
Balance at 1 July		-	-
Operating Result		9	1,402
Other Comprehensive Income			
Superannuation actuarial re-measurement (losses)	7	(9)	(1,402)
Total Comprehensive Income		-	-
Balance at 30 June		-	-

The accompanying notes form an integral part of the above Statement of Changes in Equity

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements for the year ended 30 June 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The SAS Trustee Corporation Staff Agency (Staff Agency) was established as an Executive Agency under the *Government Sector Employment and Management Act 2013*. It is a not-for-profit entity. It is domiciled in NSW Australia with its office at Level 16, 83 Clarence Street, Sydney.

The Staff Agency is a controlled entity of the SAS Trustee Corporation (STC). The objective of the Staff Agency is to provide personnel services to STC. The Staff Agency is consolidated as part of the STC Economic Entity.

These financial statements were authorised for issue by the Chief Executive Officer of STC on 5th October 2017.

B. Statement of Compliance and Basis of Preparation

The general purpose financial statements are prepared on an accrual basis and in accordance with the requirements of Australian Accounting Standards including Australian Accounting Interpretations, the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2015.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies adopted in preparing the financial statements are consistently applied.

C. Comparative information

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been adjusted to conform to these changes.

D. Revenue

Revenue from the rendering of personnel services is recognised when the service is provided to the extent the payroll expenses are incurred.

E. Payables

Payables include accrued wages, salaries and related on costs payable to the employees and regulatory authorities.

F. Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. A receivable is measured initially at fair value and subsequently at amortised cost.

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements for the year ended 30 June 2017

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

G. New accounting standards and interpretations

Australian Accounting Standards and Interpretations that became effective for the first time for the annual reporting period ended 30 June 2017 are outlined below.

AASB 2015–2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 –

The amendments adopted by the Staff Agency streamlined the disclosures in the financial statements.

AASB 2015–6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-profit Public Sector Entities –

These amendments extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit public sector entities. The requirements of this standard have been disclosed in the financial statements.

H. Accounting standards issued but not yet effective

At the date of authorisation of the financial statements the following accounting standards have been issued but not yet effective. These standards and interpretations are not expected to materially impact the financial statements.

AASB 9 Financial Instruments –

The standard will be implemented for the year ending 30 June 2019. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets and financial liabilities.

I. Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements for the year ended 30 June 2017. The defined benefit superannuation liabilities have been actuarially determined. The key assumptions are disclosed in note 8.

J. Financial instruments

Financial instruments give rise to positions that are financial assets or liabilities. All classes of instruments are initially recorded at cost and with receivables and payables being subsequently measured at amortised cost. Impairment losses occurring on financial instruments is treated as an expense in the period in which it occurs.

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements for the year ended 30 June 2017

2. OPERATING RESULT

The Staff Agency meets the payroll expenses for its employees and receives reimbursement from STC. It did not make any payments to consultants in the year ended 30 June 2017 or the year ended 30 June 2016.

The audit fee for the Staff Agency of \$5,500 (2016: \$5,000) is met by STC. The auditor provided audit services of the financial statements.

3. RECEIVABLES	2017 \$'000	2016 \$'000
Current		
Receivable – From STC	4,201	5,065
Superannuation Receivables (refer Note 8)		
- SASS	42	24
- SANCS	243	215
	4,486	5,304

All receivables are short term and are expected to be settled at the value reported.

4. PROVISIONS	2017 \$'000	2016 \$'000
Current		
Employee Benefits	500	1,383
Superannuation (refer Note 8)		
- SSS	3,884	3,724
	4,384	5,107
Non-current		
Employee Benefits	102	197

Provisions for employee benefits represent expected amounts payable in respect of unused entitlements. For wages, salaries and annual leave these provisions are expected to be settled within 12 months and are measured at their normal values. The long service leave provision is measured as discounted value using the risk-free rate mandated by NSW Treasury.

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

5. FAIR VALUE AND FINANCIAL RISKS

Unless subject to specific measurement requirements of relevant Accounting Standards, all assets and liabilities are measured and reported at fair value.

The Staff Agency is exposed to minimal financial risks as it recovers all its costs from STC, its parent entity.

6. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL COMPENSATION

The following were key management personnel of the Staff Agency during the year and in the comparative year.

Executive Officers

Mr R Hedley (from 1 October 2016)
Mr J Livanas
Ms A Lowe (until 26 October 2016)
Mr J Narayan (from 6 October 2015)
Mr A Parapuram (from 30 November 2016)
Mr N Patel (from 1 October 2016)
Ms L Rasmussen (until 30 November 2016)
Ms A Samuel
Ms N Siratkov
Ms L Tsitsis (until 30 November 2016)

The key management personnel compensation is as follows

	2017 \$'000	2016 \$'000
Short-term employee benefits	2,521	2,933
Termination benefits	1,568	-
Other long term employee benefits	19	36
	4,108	2,969

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements for the year ended 30 June 2017

7. SUPERANNUATION

The Staff Agency participates in the following closed defined benefit superannuation schemes for some of its staff –

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

The schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of the member's salary and years of scheme membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the schemes are closed to new members.

Description of the schemes' regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation and their associated regulations –

- *Superannuation Act 1916*
- *State Authorities Superannuation Act 1987*
- *State Authorities Non-Contributory Superannuation Scheme Act 1987.*

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the STC's (in its capacity as Trustee Board) adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2015, the next actuarial investigation will be performed as at 30 June 2018.

Description of other entities' responsibilities for the governance of the Fund

STC (in its capacity as Trustee Board) is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. STC (in its capacity as Trustee Board) has the following roles –

- administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- management and investment of the Fund assets; and
- compliance with other applicable regulations.

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)

Description of risks

There are a number of risks to which the Fund exposes the Staff Agency as a participating employer. The more significant risks relating to the defined benefits are –

- investment risk - The risk that investment returns will be lower than assumed and the participating employer will need to increase contributions to offset this shortfall
- longevity risk – The risk that pensioners live longer than assumed, increasing future pensions
- salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional contributions from the participating employer
- legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

The following information has been prepared by the Scheme actuary.

Reconciliation of the Net Defined Benefit Liability/(Asset)

As at 30 June 2017	SASS \$'000	SANCS \$'000	SSS \$'000
Net Defined Benefit Liability/(Asset) at start of year	(24)	(215)	3,724
Current service cost	30	5	-
Net interest on the net defined benefit liability/(asset)	(1)	(4)	74
Past service cost	-	-	-
(Gains)/losses arising from settlements	-	-	-
Actual returns on Fund assets less interest income	(60)	(21)	(356)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	(869)
Actuarial (gains)/losses arising from liability experience	13	(8)	1,311
Adjustment for effect of asset ceiling	-	-	-
Employer contributions	-	-	-
Net Defined Benefit Liability/(Asset) at end of year	(42)	(243)	3,884

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)

As at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Net Defined Benefit Liability/(Asset) at start of year</i>	(82)	(220)	2,286
Current service cost	33	6	-
Net interest on the net defined benefit liability/(asset)	(2)	(7)	69
Past service cost	-	-	-
(Gains)/losses arising from settlements	-	-	-
Actual returns on Fund assets less interest income	(2)	-	(5)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	317
Actuarial (gains)/losses arising from changes in financial assumptions	32	7	1,028
Actuarial (gains)/losses arising from liability experience	(3)	(1)	29
Adjustment for effect of asset ceiling	-	-	-
Employer contributions	-	-	-
<i>Net Defined Benefit Liability/(Asset) at end of year</i>	(24)	(215)	3,724

The Superannuation actuarial re-measurement loss of \$9,000 (2016 \$1,402,000) comprises of actuarial gains/losses arising from changes to demographic assumptions, financial assumptions and liability experience.

This amount is disclosed under Other Comprehensive Income in compliance with AASB119 requirements.

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets

As at 30 June 2017	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Fair value of fund assets at beginning of the year</i>	1,039	327	5,000
Interest income	19	6	96
Actual return on Fund assets less interest income	60	21	356
Employer contributions	-	-	-
Contributions by participants	12	-	-
Benefits paid	(1,095)	(148)	(364)
Taxes, premiums and expenses paid	-	1	56
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	35	207	5,144

As at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Fair value of fund assets at beginning of the year</i>	1,001	317	5,188
Interest income	29	10	152
Actual return on Fund assets less interest income	2	1	5
Employer contributions	-	-	-
Contributions by participants	15	-	-
Benefits paid	(7)	-	(372)
Taxes, premiums and expenses paid	(1)	(1)	27
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	1,039	327	5,000

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)

Reconciliation of the Defined Benefit Obligation

As at 30 June 2017	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of defined benefit obligation at beginning of the year</i>	1,015	112	8,724
Current service cost	30	5	-
Interest cost	19	2	170
Contributions by participants	12	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	-	-	(869)
Actuarial (gains)/losses arising from liability experience	13	(8)	1,311
Benefits paid	(1,095)	(148)	(365)
Taxes, premiums and expenses paid	-	1	56
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Past service cost	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of defined benefit obligation at end of the year</i>	(6)	(36)	9,027

As at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of defined benefit obligation at beginning of the year</i>	920	97	7,474
Current service cost	33	6	-
Interest cost	27	3	221
Contributions by participants	15	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	316
Actuarial (gains)/losses arising from changes in financial assumptions	32	7	1,028
Actuarial (gains)/losses arising from liability experience	(4)	-	29
Benefits paid	(7)	-	(371)
Taxes, premiums and expenses paid	(1)	(1)	27
Transfers in	-	-	-
Contributions to accumulation section	-	-	-
Past service cost	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of defined benefit obligation at end of the year</i>	1,015	112	8,724

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)

Reconciliation for the effect of the asset ceiling

As at 30 June 2017	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Adjustment for effect of asset ceiling at beginning of the year</i>	-	-	-
Change in the effect of asset ceiling	-	-	-
<hr/>			
<i>Adjustment for effect of asset ceiling at end of the year</i>	-	-	-
As at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Adjustment for effect of asset ceiling at beginning of the year</i>	-	-	-
Change in the effect of asset ceiling	-	-	-
<hr/>			
<i>Adjustment for effect of asset ceiling at end of the year</i>	-	-	-

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)

Fair value of Fund assets

All of the Fund's assets are invested by STC (in its capacity as the Trustee Board) at arm's length through independent fund managers and assets are not separately invested for each participating employer. As such, the following disclosures relate to the Pooled Fund's total assets.

2017 Asset category	Total (\$m)	Level 1 (\$m)	Level 2 (\$m)	Level 3 (\$m)
Short term securities	3,087	3,077	10	-
Australian fixed interest	2,501	1	2,500	-
International fixed interest	481	-	481	-
Australian equities	9,447	8,948	499	-
International equities	12,054	9,034	3020	-
Property	3,453	926	533	1,994
Alternatives	9,066	391	5,068	3,607
Total	40,089	22,377	12,111	5,601

2016 Asset category	Total (\$m)	Level 1 (\$m)	Level 2 (\$m)	Level 3 (\$m)
Short term securities	2,050	2,044	6	-
Australian fixed interest	2,721	3	2,718	-
International fixed interest	835	(1)	836	-
Australian equities	9,721	9,172	549	-
International equities	12,094	9,026	3068	-
Property	3,650	1,113	619	1,918
Alternatives	7,116	470	3,122	3,524
Total	38,187	21,827	10,918	5,442

Note

- Level 1 refers to assets and liabilities for which there are quoted prices in active markets for identical assets and liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 refers to assets and liabilities that have significant valuation inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets and liabilities in this level are notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are not available in active markets for identical assets or liabilities.
- Level 3 refers to assets and liabilities that are not based on observable market data. The assets and liabilities in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)

The percentage of fund assets invested in each asset class at 30 June 2017

	2017	2016
Short term securities	8%	5%
Australian fixed interest	6%	7%
Overseas fixed interest	1%	2%
Australian equities	24%	25%
International equities	30%	32%
Property	9%	10%
Alternatives	22%	19%
	100%	100%

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

The Fund does not hold any financial instruments issued by the staff agency.

Significant actuarial assumptions as at 30 June

	2017	2016
Discount rate	2.62%	1.99%
Salary increase rate (excluding promotional increases)	2.50%	2.50%
Rate of CPI increase	2.00%	1.50%
Pensioner mortality	as per the 2015 Actuarial Investigation of the Pooled Fund	as per the 2015 Actuarial Investigation of the Pooled Fund

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)

Sensitivity analysis

The total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. Scenarios A to F relate to the sensitivity of the total defined benefit obligation to economic assumptions. Scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -1.0% Discount rate	Scenario B +1.0% Discount rate
Discount rate	2.62%	1.62%	3.62%
Salary increase rate	2.50%	2.50%	2.50%
Rate of CPI increase	2.00%	2.00%	2.00%
Defined benefit obligation (\$'000)	8,985	10,380	7,836

	Base Case	Scenario C +0.5% Rate of CPI Increase	Scenario D 0.5% Rate of CPI Increase
Discount rate	2.62%	2.62%	2.62%
Salary increase rate	2.50%	2.50%	2.50%
Rate of CPI increase	2.00%	2.50%	1.50%
Defined benefit obligation (\$'000)	8,985	9,659	8,368

	Base Case	Scenario E +0.5% Salary Increase rate	Scenario F 0.5% Salary Increase rate
Discount rate	2.62%	2.62%	2.62%
Salary increase rate	2.50%	3.00%	2.00%
Rate of CPI increase	2.00%	2.00%	2.00%
Defined benefit obligation (\$'000)	8,985	8,985	8,985

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)
Sensitivity analysis (Continued)

	Best Case	Scenario G -0.5% Pensioner mortality rates	Scenario H +0.5% Pensioner mortality rates
Defined benefit obligation (\$'000)	8,985	9,163	8,862

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset-liability matching strategies

STC, in its capacity as trustee of the Fund, ensures it maintains an appropriate asset strategy to pay benefits as the benefits fall due.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2015. The next triennial review will take place at the end of 2018. Contribution rates are set after discussions between STC in its capacity as trustee of the Schemes and NSW Treasury. STC in its capacity of trustee of the schemes reviews funding positions annually and contributions may be adjusted in response to the review.

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)

Surplus/deficit

The following is a summary of the 30 June financial position of the schemes calculated in accordance with AASB 1056 Superannuation Entities.

As at 30 June 2017	SASS \$'000	SANCS \$'000	SSS \$'000
Accrued benefits	-	-	4,938
Net market value of fund assets	(35)	(207)	(5,144)
<i>Net (surplus)/deficit</i>	(35)	(207)	(206)

As at 30 June 2016	SASS \$'000	SANCS \$'000	SSS \$'000
Accrued benefits	919	121	4,334
Net market value of fund assets	(1,039)	(327)	(5,000)
<i>Net (surplus)/deficit</i>	(120)	(206)	(666)

SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

7. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Recommended contribution rates

As at 30 June 2017	SASS Multiple of member contributions	SANCS % member salaries	SSS Multiple of member contributions
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As at 30 June 2016	SASS Multiple of member contributions	SANCS % member salaries	SSS Multiple of member contributions
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SAS TRUSTEE CORPORATION STAFF AGENCY

Notes to the financial statements
for the year ended 30 June 2017

8. COMMITMENTS FOR CAPITAL ITEMS

The Staff Agency had no commitments for capital items at 30 June 2017 or at 30 June 2016.

9. CONTINGENT LIABILITIES

The Staff Agency did not identify any contingent liabilities at 30 June 2017 or at 30 June 2016.

10. EVENTS AFTER THE REPORTING DATE

There have been no events between 30 June 2017 and the date of approval of these financial statements that would significantly impact the financial statements.

End of Audited Financial Statements

Part G

Financial statements of the SAS Trustee Corporation Pooled Fund

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INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation Pooled Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of SAS Trustee Corporation Pooled Fund (the Fund), which comprise the statement of financial position as at 30 June 2017, the income statement, statement of changes in equity, statement of changes in member benefits and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 June 2017, and the results of its operations, cash flows, changes in equity and changes in members' benefits for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibility for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have fulfilled my other ethical responsibilities in accordance with the Code.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

The Trustee's Responsibility for the Financial Statements

The Trustee of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Trustee determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee must assess the Fund's ability to continue as a going concern except where the Fund will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

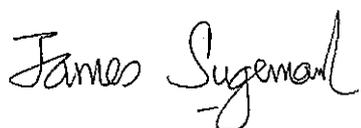
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar
Director, Financial Audit Services

6 October 2017
SYDNEY

SAS TRUSTEE CORPORATION POOLED FUND

ABN 29 239 066 746

Statement by Members of the Trustee Board

For the year ended 30 June 2017

Pursuant to section 41C of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we state that in our opinion the financial statements:

1. give a true and fair view of the financial position of the Pooled Fund as at 30 June 2017 and financial performance for the year ended, and
2. have been prepared in accordance with the Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983*, and the Public Finance and Audit Regulation 2015.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 5th day of October 2017.


Nicholas Johnson
Chair
SAS Trustee Corporation


Claire Keating
Board Member and Chair of the Risk, Audit
and Compliance Committee
SAS Trustee Corporation

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Financial Position As at 30 June 2017	Note	2017 (\$m)	2016 (\$m)
Assets			
Cash and cash equivalent		36	12
Receivables	3	394	690
Employer sponsor receivable	4	2,741	2,865
Short term securities		4,793	4,831
Australian fixed interest		2,477	2,448
International fixed interest		489	799
Australian equities		9,291	9,060
International equities		12,096	11,756
Property - indirect		1,687	1,964
Investment properties - direct	6	1,929	1,787
Infrastructure and other alternatives		9,229	8,239
Net derivative assets		131	78
Other assets		1	1
Total Assets		45,294	44,530
Liabilities			
Payables	5	211	382
Income tax liabilities		141	106
Deferred tax liabilities	12(b)	57	75
Total liabilities excluding member liabilities		409	563
Net assets available for member benefits		44,885	43,967
Member liabilities			
Defined benefit member liabilities	7	(59,153)	(59,122)
Total net liabilities		(14,268)	(15,155)
Equity			
Defined benefits that are under funded		(14,268)	(15,155)
Total (deficit)		(14,268)	(15,155)

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

SAS TRUSTEE CORPORATION POOLED FUND

Income Statement For the Year Ended 30 June 2017	Note	2017 (\$m)	2016 (\$m)
Investment income			
Interest revenue		117	152
Dividend revenue		713	742
Trust distributions revenue		665	296
Net lease revenue from investment property		100	95
Other revenue		59	29
Change in fair value of investments		2,421	499
Total revenue	10	4,075	1,813
Investment expenses		(148)	(121)
Administration expenses		(39)	(46)
Other operating expenses		(1)	(1)
Total expenses		(188)	(168)
		3,887	1,645
Operating results			
Net change in defined benefit member benefits		(3,151)	(5,337)
Operating result before income tax expense		736	(3,692)
Income tax benefit	12(a)	151	251
Operating results after income tax		887	(3,441)

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

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Changes in Member Benefits For the Year Ended 30 June 2017	Note	2017 (\$m)	2016 (\$m)
Opening balance at 1 July		59,122	56,555
Employer contributions	9	1,802	1,657
Member contributions	9	291	330
Income tax on contributions		(264)	(235)
Net after tax contributions		1,829	1,752
Benefits paid (net of surcharges)		(4,825)	(4,522)
Net change in member benefits to be funded by employers		(124)	-
Net change in defined benefit member benefits		3,151	5,337
Closing balance at 30 June		59,153	59,122

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

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Changes in Equity for the Year Ended 30 June 2017	2017 (\$m) Surplus/(deficiency)	2016 (\$m) Surplus/(deficiency)
Opening balance at 1 July	(15,155)	(11,714)
Operating result after income tax	887	(3,441)
Closing balance at 30 June	(14,268)	(15,155)

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

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Cash flows For the year ended 30 June 2017	Note	2017 (\$m)	2016 (\$m)
Cash flows from operating activities			
Interest received on cash deposits and debt securities		127	154
Dividends received		718	740
Trust distributions received		656	688
Net rentals from investment property		94	90
Other income		54	55
Trustee administration expenses		(42)	(44)
Investment expenses		(167)	(140)
Other expenses		(1)	(1)
Income tax (paid)/refund		142	75
Net cash inflows/(outflows) from operating activities	19	1,581	1,617
Cash flows from investing activities			
Purchase of investments		(25,625)	(21,670)
Proceeds from sale of investments		27,110	22,716
Net cash inflows/(outflows) from investing activities		1,485	1,046
Cash flows from financing activities			
Employer contributions received		1,802	1,612
Member contributions received		302	370
Benefits paid to members		(4,908)	(4,527)
Income tax paid on contributions		(238)	(113)
Net Cash inflows/(outflows) from financing activities		(3,042)	(2,658)
Net increase/(decrease) in cash		24	5
Cash at the beginning of the year		12	7
Cash at the end of the year		36	12

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2017

1. THE POOLED FUND

The SAS Trustee Corporation Pooled Fund (the Fund) was established under the *Superannuation Administration Act 1996* (the Act) and is governed by various Acts of the New South Wales Parliament. The schemes of the Fund comprise the State Authorities Non-contributory Superannuation Scheme (SANCS), the State Superannuation Scheme (SSS) and the Police Superannuation Scheme (PSS), which are defined benefit plans, and the State Authorities Superannuation Scheme (SASS), which has defined benefit members with some defined contribution components. All schemes in the Fund were closed by, (SSS closed in 1985 and PSS in 1988) at the latest 1992. The Fund is domiciled in NSW Australia with a registered address at Level 16, 83 Clarence Street Sydney, NSW, 2000.

These financial statements are general purpose financial statements of the Fund, a reporting entity comprising SASS, SANCS, SSS and PSS. SAS Trustee Corporation (STC) is the trustee and holds in trust all assets of the Fund. STC is responsible for the administration of the schemes and has appointed Mercer Administration Services (Australia) Pty Ltd to provide administration services.

NSW Treasury Corporation (TCorp) is the mandated investment manager and provides funds management services in relation to the Trustee Selection Strategy, which primarily invests in defined benefit assets.

The Fund has engaged investment managers to invest the assets managed by them in accordance with the provisions set out in the Investment Management Agreements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The financial statements are general purpose financial statements and are prepared in accordance with

- the requirements of Australian Accounting Standard AASB 1056 *Superannuation Entities* (AASB 1056)
- the requirements of other Australian Accounting Standards
- the *Public Finance and Audit Act 1983*
- the Public Finance and Audit Regulation 2015
- other superannuation legislation.

The Trustee Board has determined that the Fund is a not-for-profit entity for financial reporting purposes. The financial statements were authorised for issue by the Trustee Board on 5 October 2017.

All investment assets are valued at fair values at 30 June. All other assets and other liabilities are recorded at historical cost. The valuations in these financial statements in the opinion of the Trustees, approximates their fair value.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Fund is the parent entity within the economic entity. Consolidated financial statements are not prepared on the basis that the economic entity meets the definition of an investment entity under the control assessment defined in AASB 10 *Consolidated financial Statements*.

The accounting policies adopted in preparing the financial statements are consistently applied. For transactional accounting, financial instruments are recorded at the trade date. Assets and liabilities are recognised when STC becomes party to the instrument's contractual provisions.

Assets are derecognised when the contractual rights to cash flows from the asset expire or are transferred to another party. Liabilities are derecognised when the contractual obligation relating to the liability is discharged, cancelled or expires.

b) Employer Sponsor Receivable

An employer sponsor receivable is recognised for the difference between the defined benefit member liabilities and the fair value of the assets available to meet the liabilities provided the receivable meets the definition and recognition criteria of an asset.

This would require specific contractual or statutory obligations between the superannuation fund and the relevant employer sponsor in relation to the funding of the defined benefit member liabilities. The asset should be measured at its intrinsic value, being the difference between the defined benefit member liabilities and the amount of the recognised assets held to meet those liabilities.

c) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Resulting exchange differences are recognised in the Income Statement in the period in which they arise.

d) Use of Judgements and Estimates

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements.

However, uncertainty implicit in these estimates and assumptions could result in outcomes that could require an adjustment to the carrying value of the affected asset or liability in the future.

In valuing assets for which there is no observable market, STC is guided on appropriate valuation techniques by its Valuation Policy. The valuation techniques within the policies involve and rely on the expert judgement of independent valuers.

In valuing deferred tax balances, STC is guided by AASB 112 – *Income Taxes* (refer Note 2(e)).

The amount of accrued and vested benefits/liabilities has been actuarially determined. The key assumptions are disclosed at note 7.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Income Tax

The Fund is a complying superannuation fund for the purposes of the *Income Tax Assessment Act 1997 (Cth)*. Accordingly, the concessional tax rate of 15% has been applied. Income tax on the net profit for the year comprises current and deferred tax.

Current tax is the expected tax payable or recoverable on the taxable income for the year using the concessional tax rate of 15% and any adjustment to tax payable in respect of previous years. Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax provided uses the tax rate expected to apply when the benefit or liability is realised.

A deferred tax asset is only recognised to the extent it is probable that future taxable surpluses will be available against which the asset can be used.

AASB 1056 *Superannuation Entities* requires that member related transactions are reflected separately from the Income Statement and are included in the Statement of Changes in Member Benefits. Income tax on contributions is therefore included in the Statement of Changes in Member Benefits with income tax on investment income included in the Income Statement.

f) Management Expenses

Management expenses charged to the Fund comprise:

Direct Investment Expenses: Investment manager and custody fee expenses are recognised on an accruals basis.

Scheme Administration Expenses: Expenses are allocated in accordance with Trustee policy and is based on member numbers for each scheme and level of scheme complexity.

g) Goods and services tax (GST)

Revenues are recognised net of the amount of GST where applicable. Expenses and assets are recognised net of the amount of GST to the extent that the GST is recoverable from the Australian Taxation Office as a reduced input tax credit (RITC). Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from the Australian Taxation Office is included as part of receivables in the Statement of Financial Position.

h) Rounding

All values reported in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

i) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been restated to improve the presentation.

j) Revenue Recognition and Measurement

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Revenue

Interest is recognised on an accrual basis when control of a right to receive has been obtained.

Dividend Revenue

Dividends are recognised on the date the shares are quoted ex-dividend, and if not received at reporting date are recognised as a receivable in the Statement of Financial Position at fair value.

Distributions from unit trusts

Distributions from unit trusts are recognised on the date the unit value is quoted ex-distribution. If distributions from unit trusts are not received by the reporting date the amount is reflected in the Statement of Financial Position as a receivable.

Rental Revenue

Rental revenue from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as part of total rental income.

Changes in fair value of investments

Changes in the fair value of investments are recognised as a gain/loss 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).

k) Benefit Payments

Benefit payments are recognised when the payment becomes due under scheme legislation and a benefit application has been received.

l) Contributions

Contributions are recognised when the right to the contribution has been obtained or when the Fund receives cash and are recorded in the period to which they relate.

m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle or realise the assets and liabilities simultaneously.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) New Accounting Standards and interpretations

Australian Accounting Standards and Interpretations that became effective for the first time for the Pooled Fund for the annual reporting period ended 30 June 2017 and their impact on the financial report are outlined below.

AASB 1056 Superannuation Entities -

The trustee has adopted AASB 1056 *Superannuation Entities* (AASB 1056) which is applicable for annual reporting periods beginning on or after 1 July 2016.

The adoption of AASB 1056 has resulted in:

- Changes to the presentation format of the financial statements;
- Changes to the measurement of assets from 'net market value' to 'fair value';
- Member benefits recognised as liabilities rather than equity;
- Contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses, and are presented in the statement of changes in member benefits.
- Recognition of an asset in the form of Employer Sponsor Receivable to the extent it meets the definition and recognition criteria for an asset.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In accordance with the provisions of AASB 1056 *Superannuation Entities*, the Fund has applied the new accounting standard retrospectively from the start of the comparative period.

The adoption of AASB 1056 had the following impact on the statement of financial position as at 30 June 2016.

Statement of Financial Position	As previously reported as at 30 June 2016 \$'m	Adjustments / Reclassifications required \$'m	Restated balance as at 1 July 2016 \$'m
Assets and liabilities			
Adoption of AASB 1056:			
Cash and cash equivalent	12	-	12
Receivables	690	-	690
Employer sponsor receivable	-	2,865	2,865
Property plant and equipment	1	-	1
Short term securities	4,832	-	4,832
Australian fixed interest	2,451	(3)	2,448
International fixed interest	804	(5)	799
Australian equities	9,110	(50)	9,060
International equities	11,709	47	11,756
Property - indirect	1,986	1	1,987
Investment properties - direct	1,752	11	1,763
Infrastructure and other alternatives	8,254	(15)	8,239
Net derivative assets	-	78	78
Payables	(382)	-	(382)
Income tax liabilities	(106)	-	(106)
Deferred tax liabilities	(75)	-	(75)
Net assets available for member benefits	41,038	2,929	43,967
Member benefits			
Member benefits recognised as liabilities rather than equity:			
Defined benefit member liabilities	-	59,122	59,122
Equity			
Member benefits recognised as liabilities rather than equity:			
Member benefits unfunded	-	(15,155)	(15,155)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of AASB 1056 had the following impact on the income statement for the year ended 30 June 2016:

Income statement	As previously reported as at 30 June 2016 \$'m	Adoption Adjustment \$'m	Restated balance as at 30 June 2016 \$'m
Profit/(Loss) before income tax previously reported	(966)		(966)
Change in measurement from net market value to fair value:			
- Changes in assets measured at fair value		69	69
Contributions and benefits paid to members are transferred to the statement of changes in member benefits:			
- Employer contributions		(1,657)	(1,657)
- Members contributions		(330)	(330)
Benefits paid to members/beneficiaries		4,529	4,529
Operating results		2,611	1,645
Benefits allocated to members accounts		(5,337)	(5,337)
Operating results before income tax	(966)	(2,726)	(3,692)
Income tax (expense)/benefit	16		16
Income tax on contributions transferred to the statement of changes in member benefits		235	235
Sub total	16	235	251
Operating results after income tax	(950)	(2,491)	(3,441)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 -

These amendments adopted by the Pooled Fund streamlined disclosure in the financial statements.

AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-profit Public-Sector Entities –

These amendments extend the scope of AASB 124 *Related Party Disclosures* to include not-for-profit public-sector entities. The requirements of this standard have been disclosed in the financial statements.

o) Standards issued applicable but not yet effective

At the date of authorisation of this financial report the following accounting standards have been issued but not yet effective. The impact of these standards and interpretations are not expected to materially impact the Fund's financial statements.

AASB 9 Financial Instruments –

The standard will be implemented for the year ending 30 June 2019. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets and liabilities.

AASB 16 Leases -

This standard replaces AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*. The standard brings most leases onto the balance sheet and would have the most impact on lessee accounting. The standard first applies for the year ending on or after 30 June 2020.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112) -

This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. The standard first applies for the year ending on or after 30 June 2018.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 -

This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The standard first applies for the year ending on or after 30 June 2018. No material changes to these financial statements are expected.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

3. RECEIVABLES

Receivables	2017 \$'m	2016 \$'m
Accrued income	170	176
Contributions receivable	6	20
Margin call deposits	70	271
Due from brokers – receivable for securities sold	100	222
Other receivables	48	1
Total	394	690

Within Other receivables is an impairment allowance of \$164 thousand (2016: \$1 million). This allowance relates to amounts due from members or the estates of members where it has been assessed that prospect of the Fund recovering the amount due is reduced.

4. EMPLOYER SPONSOR RECEIVABLE

Employer Sponsor Receivable	2017 \$'m	2016 \$'m
Employer Sponsor Receivable - PSS	2,741	2,865

The Employer Sponsor Receivable recognised in the financial statements relate to the deficiency in the Police Superannuation Scheme. This scheme has a statutory obligation by the employer to meet the shortfall when the defined benefit member liabilities exceed the fair value of the schemes assets.

5. PAYABLES

Payables	2017 \$'m	2016 \$'m
Superannuation benefits	10	48
Due to brokers – payable for securities purchased	134	222
Other creditors	26	61
Contribution surcharge	35	41
Payable to SAS Trustee Corporation	6	9
Other payables	-	1
Total	211	382

All payables are within agreed trading terms.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

6. INVESTMENT PROPERTIES

Investment Properties	2017 \$'m	2016 \$'m
At 1 July	1,787	1,736
Additions	40	80
Changes in fair value	102	136
Disposals	-	(165)
<hr/>		
At 30 June	1,929	1,787

7. ACCRUED BENEFITS

a) Liability for Accrued Benefits

The Fund engages actuaries on an annual basis to measure the defined benefits members' liabilities in each of the defined benefit schemes.

The amount of accrued benefits has been determined based on the present value of expected future payments which arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The valuation of accrued benefits was undertaken by the independent scheme actuary. The financial assumptions applied for the calculations were:

Valuation Assumptions	2017	2016
Investment Return Rate		
- asset backing current pension liabilities	7.4	7.8
- other	6.4	6.8
CPI Increase Rate	2.7	2.5
Salary Increase Rate	2.2	3.5

The actuarial valuation estimate at the reporting date shows accrued liabilities of \$59,153 million and unfunded liability of \$17,009 million (before inclusion of ESR). The key assumptions and sensitivity analysis to 30 June 2017 estimates is provided below.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

7. ACCRUED BENEFITS (Continued)

Sensitivity Analysis for 30 June 2017

Key Assumption	Assumed at 30 June 2017	Sensitivity Change	(Increase) Decrease in Liability for Accrued Benefits (\$M) (one)
Investment return/ discount rate	7.4% for all pensioners, 6.4% other members	+1.0% pa	4,281
		-1.0% pa	(5,050)
Inflationary salary increases	2.7% pa to 30 June 2019 and 3.2% pa thereafter	+1.0% pa	(568)
		-1.0% pa	527
CPI increases	2.2% pa	+1.0% pa	(4,742)
		-1.0% pa	4,057
Pensioner mortality	Age-based rates developed by the scheme actuary.	Short term improvements*	(465)
		Long term improvements**	303

*Assumes the short-term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021

**Assumes the long-term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021

The liability for accrued benefits has been recalculated by changing the assumptions as outlined above, whilst leaving all other valuation assumptions unchanged.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

7. ACCRUED BENEFITS (Continued)

	2017			2016		
	Accrued Benefits \$'m	Net Assets Available to Pay Benefits \$'m	Over/(under) funded \$'m	Accrued Benefits \$'m	Net Assets Available to Pay Benefits \$'m	Over/(under) funded \$'m
State Authorities						
Superannuation Scheme	14,597	12,847	(1,750)	14,437	12,709	(1,728)
State Authorities						
Non-contributory Superannuation Scheme	2,367	2,010	(357)	2,425	1,950	(475)
State						
Superannuation Scheme	34,787	22,626	(12,161)	34,887	21,935	(12,952)
Police Superannuation						
Scheme	7,402	4,661	(2,741)	7,373	4,508	(2,865)
Actuarial estimates of under-funded benefits at 30 June	59,153	42,144	(17,009)	59,122	41,102	(18,020)
Employer Sponsor Receivable for PSS, in accordance with AASB 1056	-	2,741	2,741	-	2,865	2,865
Under-funded benefits AASB 1056	59,153	44,885	(14,268)	59,122	43,967	(15,155)

The NSW Crown makes contributions in line with the funding plan developed to satisfy the requirements of the *Fiscal Responsibility Act 2012*. The NSW Government's objective is to fully fund its superannuation liabilities by 2030.

Liquidity risk management

STC's overall strategy to liquidity risk management is outlined in its latest Liquidity Policy dated December 2016. The Fund's liquidity risk exposures are managed in accordance with the Fund's investment strategies and STC has set a number of minimum liquidity requirements which are tested at least annually.

These include maintaining a sufficient liquid asset buffer to meet two years' worth of expected benefit payments and an exposure of no less than 60% of assets invested in liquid asset classes at any one point in time. STC also maintains adequate funding facilities and continuously monitors forecast and actual cash flows, including amounts required to fund its scheme and investment transactions and amounts expected from the Crown.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

8. VESTED BENEFITS

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 at the reporting date.

	2017			2016		
	Vested Benefits \$'m	Net Assets Available to Pay Benefits \$'m	Over/(under) funded \$'m	Vested Benefits \$'m	Net Assets Available to Pay Benefits \$'m	Over/(under) funded \$'m
State Authorities						
Superannuation Scheme	15,407	12,847	(2,560)	15,322	12,709	(2,613)
State Authorities						
Non-contributory Superannuation Scheme	2,682	2,010	(672)	2,789	1,950	(839)
State						
Superannuation Scheme	34,817	22,626	(12,191)	34,931	21,935	(12,996)
Police Superannuation						
Scheme	6,988	4,661	(2,327)	6,894	4,508	(2,386)
Actuarial estimates of under-funded benefits at 30 June	59,894	42,144	(17,750)	59,936	41,102	(18,834)
Employer Sponsor Receivable for PSS, in accordance with AASB 1056	-	2,741	2,741	-	2,865	2,865
Under-funded benefits AASB 1056	59,894	44,885	(15,009)	59,936	43,967	(15,969)

Vested benefits exceed net assets at 30 June 2017 and 30 June 2016. STC is working with the NSW Treasury and the scheme actuary to facilitate the Government's stated objective to fully fund the schemes by 2030.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

9. EMPLOYER AND MEMBER CONTRIBUTIONS

	2017				Total \$'m
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	
Employer Contributions	530	228	876	168	1,802
Salary Sacrifice Contributions	141	-	61	9	211
Member Contributions	51	-	26	3	80
Total Contributions	722	228	963	180	2,093

	2016				Total \$'m
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	
Employer Contributions	551	197	725	184	1,657
Salary Sacrifice Contributions	144	-	81	8	233
Member Contributions	59	-	35	3	97
Total Contributions	754	197	841	195	1,987

The payment of all benefits under the schemes associated with the Fund is provided for by New South Wales Government statute. The benefit payments are funded from the Pooled Fund assets as they become payable. Member financed benefits are fully funded by underlying member reserves held within the Fund.

Member and Employer contributions for each of the schemes are determined on the basis described below. Member contributions for SANCS represent the co-contributions received from the Commonwealth Government.

Contributions made by the Crown are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*. The New South Wales Government's objective is to fully fund its superannuation liabilities by 2030.

This objective requires that employer contributions be periodically reassessed to ensure that they remain sufficient to achieve full funding by 2030. STC conducts this periodic reassessment at 30 June each year.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

9. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

a) State Authorities Superannuation Scheme (SASS)

Member Contributions

Each member elects to contribute between 1% and 9% of salary.

Employer Contributions

Under the provisions of the *State Authorities Superannuation Act 1987* employers are grouped into the two categories below and the bases of contribution are as follows:

- Part 1 Consolidated Fund or supported Government employers and self-financing Semi-government and non-government employers are billed monthly and generally contribute at a multiple of the contributions payable by employees. The respective multiples are set by STC, with the concurrence of the NSW Treasurer, at a rate to part fund future liabilities and to fully fund emerging benefits.
- Part 3 Part 3 employers contribute at a multiple of 1.9 of employee contributions for SASS and 2.5% of employees' salaries for SANCS.

Contributions made by the Crown are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

b) State Authorities Non-contributory Superannuation Scheme (SANCS)

Member Contributions

As the scheme is 100% employer funded, there are no member contributions. Any member contribution recognised represents co-contributions received from the Commonwealth Government in respect of a member.

Employer Contributions

Employers are billed at a percentage of employees' salaries, set for each employer by STC with the concurrence of the NSW Treasurer. The current contribution rates for employers range from 0% to 3%. Some employers also contribute lump sum contributions to meet past service deficiencies. The lump sum contribution amount is set by STC with concurrence of the NSW Treasurer.

Contributions made by the Crown are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

c) State Superannuation Scheme (SSS)

Member Contributions

Each member contributes on a rate for age basis for individual pension units which become available with salary increases. Members may elect to abandon units where total contributions payable would exceed 6% of salary.

Employer Contributions

Each employer contributes at a rate equal to a multiple of relevant employee contributions. The rate is set by STC with the concurrence of the NSW Treasurer. The multiple of employee contributions is estimated to at least meet the cost of emerging benefits. Some employers also contribute lump sum contributions to meet past service deficiencies. The lump sum contribution amount is set by STC with concurrence of the NSW Treasurer. Contributions made by the Crown are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

9. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

d) Police Superannuation Scheme (PSS)

Member Contributions

Members contribute 6% of their salary.

Employer Contributions

Contributions made by the Crown are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

10. INVESTMENT INCOME

Investment Income	2017 \$'m	2016 \$'m
Investment Revenue	1,654	1,314
Unrealised Gains	2,101	674
Realised Gains/Loss	320	(175)
Total	4,075	1,813

11. SCHEME ADMINISTRATION EXPENSES

The *Superannuation Administration Act 1996* requires that STC recover its administration expenses from the Pooled Fund. Recoveries totalled \$39 million (2016: \$47 million).

Included in Scheme Administration Expenses are the following items:

	2017 \$'m	2016 \$'m
Audit Fees – The Audit Office of New South Wales (audit of the financial statements and no other services)	0.5	0.4
Scheme Administration Fees	24	24

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

12. INCOME TAX

Income tax expenses and assets and liabilities arising from the levying of income tax (including capital gains tax) on the Fund have been determined in accordance with the provisions of Australian Accounting Standard AASB 112 *Income Taxes*.

a) Income Tax recognised in the Income Statement	2017 \$'m	2016 \$'m
Current tax expense		
Current income tax provision	(124)	(132)
(Over) provision of tax benefit in prior years	(9)	(17)
	(134)	(149)
Deferred tax asset		
(Decrease) in deferred tax asset	(17)	(102)
	(151)	(251)
Total income tax (benefit) in Income Statement	(151)	(251)
Reconciliation between tax (benefit)/expense and operating results before income tax		
Operating results before income tax	736	(3,692)
Income tax expense/(benefit) using the superannuation fund tax rate of 15%	110	(554)
Change in tax expense/(benefit) due to:		
- Assessable investment income	(161)	48
- Pension related investment (gains)	(403)	(351)
- Tax credits	(161)	(181)
- Net change in defined benefit member liabilities	473	804
- (Over) provision of tax benefit in prior years	(9)	(17)
	(151)	(251)
Income tax (benefit) on Income Statement	(151)	(251)

b) Deferred Tax (Liability)	2017 \$'m	2016 \$'m
Unrealised capital (gains)	(76)	(92)
Income receivable	(1)	(2)
Contributions receivable	(1)	(1)
Unrealised (gains) on traditional securities and foreign exchange	(2)	(5)
Unrealised franking credits	23	25
	(57)	(75)
Deferred Tax Asset/(Liability)	(57)	(75)

SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements
For the year ended 30 June 2017**

13. TRUSTEE BOARD INFORMATION

The Trustee of the Fund is STC. The names of the Board members of STC in office during the year ended 30 June 2017, the comparative period and up to the date of signing these accounts are as follows:

Ms C Bolger (term commenced 25 September 2015)
 Mr A Claassens (term completed 4 November 2016 - recommenced 5 November 2016)
 Ms S Constant (term commenced 26 August 2015 – term completed 24 November 2015)
 Ms S Dave (term commenced 24 May 2016)
 Mr N Johnson
 Ms C Keating (term commenced 10 November 2016)
 Mr G Maniatis (term commenced 25 September 2015)
 Ms K Moses (term completed 19 March 2016 – term recommenced 31 March 2016)
 Mr T O'Grady (term completed 24 June 2017 – term recommenced 14 September 2017)
 Ms R Ramwell
 Mr P Scully (term completed 9 August 2015)
 Mr G Venardos (term completed 4 November 2016)

- a) Board members' remuneration was \$522,000 (2016 \$530,00).
- b) Remuneration received or due and receivable by Board Members and Directors of the Economic Entity from Controlled Entities are disclosed in the financial report of each controlled entity which are listed in the STC Annual Report.
- c) The following Board Members were members of the Fund schemes during the reporting period or up to the date of the financial statements (including comparative year): T O'Grady and A Claassens. Their membership terms and conditions were the same as those applied to other members of the Funds schemes.
- d) Transactions entered into during the year with Board Members and their Related Entities are disclosed below.

	2017 \$'000	2016 \$'000
Consulting fees paid to STC Board Member Ms. C Keating by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services	94	-
Director fees paid to STC Board Member Ms. R Ramwell by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services	32	-

- e) The Fund reimbursed STC \$39 million (2016 \$47 million) for operating expenses.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2017

14. CONTINGENT LIABILITIES

In managing the investment portfolio, the investment managers enter into various types of investment contracts that can give rise to contingent liabilities. Investment contracts are detailed in Note 16.

Two other classes of contingent liabilities potentially exist in relation to either the Trustee in its capacity as Trustee of the Fund, or the Fund itself:

- (i) Legal costs and related future benefit payments, if any, in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases, it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund, and in the case of PSS, by the legislation of the scheme which allows the Trustee to make a call on NSW Consolidated Revenues.

15. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian. The Fund received \$5 million (2016: \$6 million) fee income from this program, which adds to the Fund's overall yearly return.

At 30 June, the total value of the loaned securities was \$800 million (2016: \$1 billion) while the total value of the collateral was \$850 million (2016: \$2 billion). The lent securities represented approximately 1.9% of the Fund's total investments (2016 approximately 3.4%), which was within the allowable limit of 20% of the lendable assets.

The collateral comprised foreign sovereign securities of \$200 million (2016: \$300 million) and cash of \$600 million (2016: \$1 billion). The collateral is invested in a fund managed by the custodian.

The collateral may only be accessed in the event of default by the borrower of lent securities.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risk factors as a result of its investment activities. These risks include –

- (a) market risk, including currency risk; interest rate risk; and price risk.
- (b) credit risk, and
- (c) liquidity risk

The Fund's risk management and investment policies are designed to minimise the potential adverse effects of these risks on the Fund's financial performance. STC has developed, implemented and maintains a Risk Management Framework (RMF) and an anti-money laundering and counter terrorism financing program (AML/CTF program). These systems address material risks, both financial and non-financial that could potentially be faced by the Fund.

The Fund's assets are invested in accordance with the Fund's investment strategy. STC regularly reviews the investment strategy to ensure the strategy's continued relevance to the Fund's objectives given prevailing investment markets. An objective of the investment strategy is to avoid undue concentrations of risk. STC ensures that the portfolio is diversified across and within asset classes, across investment managers, countries, individual asset types and risk factors.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

As required by its governing legislation, the investments of the Fund are managed by specialist fund managers. The activities of the fund managers are governed by investment instructions and investment constraints as set out in documented agreements with the fund managers or, in the case of a unit trust, a trust deed. STC and TCorp, (as the mandated investment manager), constantly monitors the investment managers to ensure compliance with investment instructions and investment constraints.

For the purpose of this financial report, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables but excluding ESR, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps). Such derivative instruments are used for hedging purposes and to efficiently implement asset allocation changes.

Accounting Policies

Assets and liabilities of the Fund are valued at reporting date at fair values. Fair values comprise market values but excludes estimated costs of disposal. Changes in fair values, representing gains or losses, are recognised in the Income Statement in the period in which they occur.

The basis for valuation of each class of asset at balance date is as follows:

Recognised instruments	Accounting policies	Terms and conditions
1. Receivables	Receivables include income receivable and unsettled sales of securities. They are carried at nominal amounts.	Sales of securities are made on various terms for different securities and in different countries. Income receivable is also settled on varying terms depending on the security and country.
2. Futures	Futures are stated at market value using the daily closing price.	The futures are exchange traded equity futures.
3. Unlisted Trusts	The fair value of Unlisted Trusts is determined on the basis of the withdrawal unit prices as advised by the relevant fund manager.	The terms and conditions are set out in the applicable trust constitution.
4. Unlisted Equity Interests	Unlisted Equity Interests are carried at fair value as determined by independent expert valuers.	The terms and conditions are set out in the applicable entity constitution.
5. Listed Shares and Trusts	Listed shares and trusts are carried at fair value. The basis for valuation of listed securities is the last bid price quoted at close of business on the last day of the period on the relevant securities exchange. Certain costs incurred in acquiring the investment, such as brokerage and stamp duty, are capitalised in the cost of the investments. Dividend income and trust distributions are recognised on the ex-date.	N/A
6. Bills of exchange and other discount securities	Carried at fair value using market rates as at 30 June.	Average maturity of 51 days with effective interest rates in the range of 1.58% to 1.85%.
7. Promissory Notes	Carried at fair value as at 30 June.	N/A
8. Mortgages	Mortgages are stated at fair value. Interest income is recognised in the Income Statement when earned.	N/A
9. Bank Deposits	Stated at fair value. Interest income is recognised in the Income Statement when earned.	N/A

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Accounting Policies (Continued)

Recognised instruments	Accounting policies	Terms and conditions
10. Government Bonds	Carried at fair value based on discounted cash flow.	Government bonds on average mature on 06/05/2028 and have effective interest rates in the range of 0% to 4.55%.
11. Semi Government Bonds	Carried at fair value based on discounted cash flow.	Semi Government bonds on average mature on 18/09/2023 and have effective interest rates in the range of 0.60% to 3.52%.
12. Domestic Bonds	Carried at fair value based on discounted cash flow.	Domestic bonds on average mature on 14/12/2024 and have effective interest rates in the range of 11.00%
13. Options	Options are stated at market value using the daily closing price.	The options are all Exchange Traded options.
14. Investment Purchases	Liabilities are recognised for amounts to be paid for under investment commitments.	Settlement for securities is made in accordance with investment agreements between counterparties.
15. Foreign exchange forward contracts	Foreign exchange forward contracts are undertaken to hedge against adverse foreign exchange movements. Gains or losses on these contracts are recognised through the translation of underlying transactions and/or instruments at hedge rates.	At the end of the reporting period, the Fund had various foreign exchange forward contracts open in its international portfolios.
16. Payables	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund.	Liabilities are settled on receipt of invoices in accordance with terms thereof.
17. Investment Properties	The fair value of the Fund's investment property as at 30 June 2016 and 30 June 2017 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers. All independent valuers were appropriately qualified and experienced and authorised to practise as a valuer. In performing the valuation, the independent valuer considered the requirements of the Australian Accounting Standard Board, in particular, AASB13 Fair Value Assessment. There has not been any change to the valuation technique during the year	The terms and conditions are set out in the applicable entity constitution.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
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16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a) Market Risk

Market risk is the risk that changes in factors such as foreign currency exchange rates (currency risk), interest rates (interest rate risk) and equity prices (price risk) will affect the Fund's income or the value of its financial instruments. Through its management of market risk STC seeks to manage and control its market risk exposures to within acceptable parameters while optimising risk adjusted returns.

In managing market risk, STC's fund managers trade in derivatives and securities. The fund managers also incur liabilities in the ordinary course of business. All such transactions are within the investment management mandates granted by STC to its managers.

a.1) Currency Risk

Currency risk is the risk that the net market value of offshore assets and future cash flows derived from existing offshore financial instruments will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to currency risk on financial instruments, receivables and liabilities that are denominated in currencies other than Australian Dollars. The main currencies to which the Fund is exposed are –

- US Dollar (USD)
- Japanese Yen (JPY)
- Euro (EUR)
- Great Britain Pound (GBP)

The Fund's currency risk is managed in accordance with strict parameters as set out in its investment policy. Under the policy, investments are hedged as follows –

- international equities – developed market equities are hedged from 0% to 100% in Australian dollars
- international equities – emerging market equities are unhedged
- international property, infrastructure and alternative assets are hedged from 0% to 100% in Australian dollars
- International fixed interest assets (sovereign debt) are hedged from 0% to 100% in Australian dollars

STC's two currency overlay managers use a range of counterparties. If a counterparty failed to satisfy its contractual obligation to deliver on a currency hedging contract the Fund would remain exposed to the currency risk being hedged.

The hedging policy has been reviewed during the financial year to refine management of risk factors faced by the Fund through currency risk.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a.1) Currency Risk (Continued)

The Fund's total net exposure to fluctuations in foreign currency exchange rates as at the financial year end is as follows:

	YEAR ENDED 30 JUNE 2017						TOTAL A\$ m
	USD A\$ m	JPY A\$ m	EUR A\$ m	GBP A\$ m	AUD A\$ m	Other A\$ m	
Financial assets and liabilities at fair value through the income statement	7,429	635	1,781	1,334	29,569	1,374	42,122
Cash	-	-	-	-	36	-	36
Payables	(25)	-	(7)	(5)	(126)	-	(163)

	YEAR ENDED 30 JUNE 2016						TOTAL A\$ m
	USD A\$ m	JPY A\$ m	EUR A\$ m	GBP A\$ m	AUD A\$ m	Other A\$ m	
Financial assets and liabilities at fair value through the income statement	7,779	891	1,473	1,521	27,698	1,600	40,962
Cash	-	-	-	-	12	-	12
Payables	(101)	(2)	(14)	(4)	(256)	(5)	(382)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a.1) Currency Risk (Continued)

The currency risk disclosure reflects the Fund's assets that are subject to active currency management. These assets comprise both directly held investments and most of the assets held indirectly through unit trusts.

Assuming no hedging of international exposures, a 15 per cent strengthening of the Australian Dollar against the following currencies at financial year end would have decreased the monetary assets (ie assets that are units of currency or assets that are to be received in a fixed or determinable number of units of currency) within the Fund's Income Statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In practice, STC partially hedges against the adverse effects of currency movements. The analysis is calculated on the same basis for 2017 and 2016.

All amounts are in Australian Dollars	Change in Net Assets 30-Jun-17 \$m	Change in Net Assets 30-Jun-16 \$m
USD	(67)	(129)
JPY	(0)	(0)
EUR	(23)	(37)
GBP	(15)	(20)
Other	(4)	(11)
	(109)	(197)

Assuming no hedging of international exposures, a 15 per cent weakening of the Australian Dollar against the above currencies at financial year end would have the equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

a.2) Interest Rate Risk

The Fund's investments in debt and short term money market instruments are subject to interest rate risk and the return on these investments will fluctuate in accordance with movements in the interest rates.

The Fund's exposure to interest rate risk, including contractual repricing or maturity dates (whichever dates are earlier) associated with these financial instruments as at 30 June, are shown in the tables below. All other financial assets and liabilities are non-interest bearing.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a.2) Interest Rate Risk (Continued)

YEAR ENDED 30 JUNE 2017 – INTEREST RATE RISK DISCLOSURE

	Floating Interest A\$m	Fixed Interest A\$m	Non-Interest- Bearing A\$m	Total (per Statement of Financial Position) A\$m
Assets				
Short Term Securities	4,829	-	-	4,829
Australian Fixed Interest	-	2,477	-	2,477
International Fixed Interest	-	489	-	489
Australian Equities	-	27	9,264	9,291
International Equities	-	-	12,096	12,096
Property	-	-	1,700	1,700
Investment Properties	-	-	1,916	1,916
Alternatives	30	96	9,103	9,229
Net Derivatives	-	3	128	131
Total Assets	4,859	3,092	34,207	42,158
Liabilities				
Payables	-	-	163	163
Total Liabilities	-	-	163	163
Net Assets	4,859	3,092	34,044	41,995

YEAR ENDED 30 JUNE 2016 – INTEREST RATE RISK DISCLOSURE

	Floating Interest A\$m	Fixed Interest A\$m	Non-Interest-Bearing A\$m	Total (per Statement of Financial Position) A\$m
Assets				
Short Term Securities	4,843	-	-	4,843
Australian Fixed Interest	-	2,448	-	2,448
International Fixed Interest	-	799	-	799
Australian Equities	-	27	9,033	9,060
International Equities	-	-	11,756	11,756
Property	-	-	1,987	1,987
Investment Properties	-	-	1,764	1,764
Alternatives	70	98	8,071	8,239
Net Derivatives	-	4	74	78
Total Assets	4,913	3,376	32,685	40,974
Liabilities				
Payables	-	-	382	382
Total Liabilities	-	-	382	382
Net Assets	4,913	3,376	32,303	40,592

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a.2) Interest Rate Risk (Continued)

The effect of a 175 basis point increase in interest rates for variable rate financial assets and liabilities and a 175 basis point increase in interest rates for fixed interest securities is as follows. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is calculated on the same basis for 2017 and 2016 –

All amounts are in Australian Dollars	Change in Net Assets 30-Jun-17 \$m	Change in Net Assets 30-Jun-16 \$m
Fixed Interest	54	59
Floating Interest	85	86
	139	145

A 175 Basis point decrease in interest rates at financial year end would have the equal but opposite effect on the above amounts shown above, assuming that all other variables remains constant.

a.3) Price Risk

Price 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 and/or its issuer or all factors affecting all instruments traded in the market. As the majority of the Fund's financial instruments are carried at fair value in the Statement of Financial Position and all changes in fair value are recognised in the Income Statement, all changes in market conditions will directly affect net assets available for member benefits and operating results.

Price risk is mitigated by the Fund having a formal investment strategy which diversifies the Fund's investments across various sectors, managers, risk factors, asset classes and countries.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a.3) Price Risk

The following table illustrates the effect from possible changes in price risk that were reasonably possible based on the risk to which the Fund was exposed. The sensitivity factors were developed by the Fund's Asset Consultant. The analysis is calculated on the same basis for 2017 and 2016.

All amounts are in Australian Dollars	Change in Price Risk Variable	Change in Operating Results 30-Jun-17 £m	Change in Operating Results 30-Jun-16 £m
Australia	38.3%	8,667	8,094
International	38.5%	4,571	4,672
Foreign exchange derivatives	15.0%	(1,123)	(2,247)
		12,115	10,519

All amounts are in Australian Dollars	Change in Price Risk Variable	Change in Operating Results 30-Jun-17 £m	Change in Operating Results 30-Jun-16 £m
Australia	21.8%	(4,933)	(4,607)
International	21.5%	(2,553)	(2,609)
Foreign exchange derivatives	15.0%	1,123	2,247
		(6,363)	(4,969)

b) Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk in the following areas –

- the holding of currency hedging contracts, derivatives, short term securities, Australian fixed interest securities, international fixed interest securities and cash
- contributions receivable
- accrued income
- margin call deposits
- investment sales.

The Fund's maximum exposure to credit risk at balance date in relation to each of the above listed items is the carrying amount of those assets as stated in the Statement of Financial Position.

For short term securities, Australian fixed interest securities, international fixed interest securities and cash, STC controls credit risk by explicitly setting out in its investment instructions the assets that fund managers may invest in. The restrictions are based around rating agency assessments and/or the securities that make up the relevant industry bench mark for the sector being invested in. For forward foreign exchange contracts, investment managers must deal only with counterparties that have greater than nominated rating agency assessment and are also limited to relative dollar limits with any particular counterparty to ensure that credit risk is well diversified

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk associated with contributions receivable, margin call deposits and investment sales is minimal as all have a short settlement period and –

- contributions receivable comprises mainly Government Agency employer sponsors, hence risk is mitigated.
- for margin call deposits STC transacts only with counterparties rated as credit worthy by credit rating agencies
- for investment sales, in line with market practice the Fund's custodian does not release the sold assets until full payment has been received from the purchaser.

STC accepts the credit risk for accrued income.

The Fund does not have significant concentrations of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. No individual investment exceeded five percent of the Fund's net assets during the years ended 30 June 2017 or 30 June 2016. Also, STC ensures that in its hedging activities it diversifies its exposure to individual counterparties.

c) Liquidity Risk

Liquidity risk is risk that the Fund will not be able to meet its financial obligations as they fall due.

The relevant statutes require that all benefits be paid in full when they fall due.

In managing liquidity risk STC continuously monitors forecast and actual cash flows, including amounts required to fund its scheme and investment transactions and amounts expected from the Crown. Forecast Fund cash flows are based around the triennial actuarial assessment of the Fund, adjusted for actual cash flows. STC is able to estimate benefit outflows because most members cannot roll out of the Fund at will, but rather must satisfy a condition of release. The Fund maintains funding facilities adequate to allow the payment of its obligations as they fall due.

The Fund's strategic asset allocations at 30 June 2017 targeted the following allocations to cash –

- DC Growth Option 8.0%
- DC Balanced Option 18.0%
- DC Conservative Option 43.0%
- Trustee Selection 7.0%
- University Diversified 64.0%

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

17. FAIR VALUE DISCLOSURES

The Statement of Financial Position is prepared in accordance with AASB 1056 *Superannuation Entities*. All investment assets are valued at fair values at 30 June. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustees, approximates their fair value.

a) Assets and Liabilities by Measurement Hierarchy

For financial reporting fair value measurements are categorised into Level 1, 2 or 3 based on whether inputs to determining fair value are observable and the significance to the measurement. The levels are described as follows –

- Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are loan notes, government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.
- Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

STC has a valuation policy that sets out how all the Fund's assets are to be valued. The Policy reflects the requirements of APRA Prudential Practice Guide SPG 531 – *Valuation*. Under the policy the value of level 3 assets is the following:

- for unlisted property, unlisted shares and unlisted infrastructure the value is determined by the manager or STC appointed industry expert valuers using recognised valuation techniques. The most frequently used technique is discounted cash flow. The key inputs to discounted cash flow are discount rates and projected cash flows.

STC uses industry comparisons to assess the validity of discount rates and assesses advice from the responsible external fund manager to ensure the validity of cash flow information.

STC also uses the value of comparable assets or transactions to confirm the valuation result.

While changing valuation assumptions would affect the valuation result, such changes are unlikely to be material to the financial report of the Fund.

- for distressed debt and hedge funds the value is determined by independently audited financial statements of the asset holding vehicle.

All disclosures in the following tables use fair value as a materially correct estimate of fair value.

There were no assets transferred between the above levels, including levels one and two, during the year ended 30 June 2017 or the year ended 30 June 2016.

The following tables categorise the Scheme's assets and liabilities using the above valuation hierarchy (excluding the liquidity balances held by the custodian in individual asset classes).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

17. FAIR VALUE DISCLOSURES (Continued)

YEAR ENDED 30 JUNE 2017	Level 1 A\$m	Level 2 A\$m	Level 3 A\$m	Total A\$m
Assets				
Short Term Securities	3,077	10	-	3,087
Australian Fixed Interest	1	2,500	-	2,501
International Fixed Interest	-	481	-	481
Australian Equities	8,948	498	-	9,446
International Equities	9,033	3,000	-	12,033
Property	926	544	2,041	3,511
Alternatives	392	5,065	3,832	9,289
Total	22,377	12,098	5,873	40,348

YEAR ENDED 30 JUNE 2016	Level 1 A\$m	Level 2 A\$m	Level 3 A\$m	Total A\$m
Assets				
Short Term Securities	2,045	6	-	2,051
Australian Fixed Interest	3	2,741	-	2,744
International Fixed Interest	(1)	836	-	835
Australian Equities	9,172	549	-	9,721
International Equities	9,026	3,072	-	12,098
Property	1,113	618	1,958	3,689
Alternatives	470	3,123	3,742	7,335
Total	21,828	10,945	5,700	38,473

18. COMMITMENTS

As at 30 June 2017 the Fund had commitments for uncalled additions to existing investments of \$694 million (2016 \$320 million). The amounts can be called at the discretion of the fund managers involved and will be funded from the cash holdings of the Fund's diversified investment options.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2017

19. NOTES TO CASH FLOW STATEMENT

Reconciliation of net cash flows from operating activities to the operating result after income tax.

	2017 \$'m	2016 \$'m
Net Profit/(loss) after income tax for the year	887	(3,441)
Net change in fair value of investments	(2,421)	(499)
Net change in receivables and other assets	296	309
Net change in payables and other liabilities	(171)	150
Net change in member benefits to be funded by employers	(124)	-
Net change in defined benefit member benefits	3,151	5,337
Net change in present entitlements	-	(273)
Adoption of fair value adjustment	(37)	34
Net cash inflow/(outflow) from operating activities	1,581	1,617

20. LEASE RECEIVABLE

The future minimum lease payments receivable by the Fund are

	2017 \$'m	2016 \$'m
No later than one year	113	110
Later than one year but not later than five years	304	265
Later than five years	123	117
	540	492

21. EVENTS AFTER THE REPORTING DATE

There have been no other events between 30 June 2017 and the date of approval of this financial report that would significantly affect the financial report.

End of Audited Financial Statements

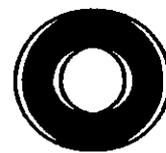
Part H

Financial statements of the controlled entities of the Pooled Fund

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EG Core Plus Fund No.1 Holding Trust No.5	271
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STATE SUPER A-TRAIN TRUST
SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017



MACQUARIE

Special Purpose Financial Report for the year ended 30 June 2017

Macquarie Specialised Asset Management Limited (ACN 087 382 965) (AFSL 241104) ("MSAM") is the trustee of Macquarie State Super A-Train Trust ("the Trust"). MSAM is a wholly owned subsidiary of Macquarie Group Limited (ABN 94 122 169 279) ("MGL") and is domiciled and operates out of Australia.

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited (ABN 46 008 583 542) ("MBL"). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

This report is not an offer or invitation for subscription or purchase, or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in the Trust, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

MSAM, as trustee of the Trust, is entitled to fees for so acting. MGL and its related corporations, together with their officers and directors, may hold units in the Trust from time to time.

Special Purpose Financial Report for the year ended 30 June 2017

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Special Purpose Financial Report for the year ended 30 June 2017

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Mandated Assets Committee's Report for the year ended 30 June 2017

Mandated Assets Committee's Report

In respect of the year ended 30 June 2017, the following Special Purpose Financial Report for the State Super A-Train Trust ("the Trust") is submitted by the Mandated Assets Committee ("the Committee") of Macquarie Specialised Asset Management Limited ("the Trustee"). The Committee has been delegated this authority by the Directors of the Trustee.

Directors

The following persons have held office as Directors of the Trustee during the whole year and up to the date of this report:

- Martin Stanley
- Francis Kwok
- Anthony Shepherd
- Penelope Bingham-Hall
- Grant Smith as Alternate Director for Martin Stanley

There were no units held directly, indirectly or beneficially by Directors at the date of this report.

Principal Activity

The principal activity of the Trust is to invest in the Arlanda Express, a high speed train link between Arlanda Airport and Stockholm City, in accordance with the Trust Constitution.

There were no significant changes in the nature of the Trust's activities during the period not otherwise disclosed in this report.

Review of Operations and Results

The performance of the Trust, as represented by the results of its operations, was as follows:

	2017 \$'000	2016 \$'000
Total revenue and other income	45,908	36,923
Profit before amounts attributable to unitholders	45,554	36,923

Mandated Assets Committee's Report for the year ended 30 June 2017

Dividends

The distributions paid/payable were as follows:

	2017 \$'000	2016 \$'000
Distributions paid and proposed during the year		
Interim distribution for the year ended 30 June 2017 of 0.3536 cents per unit paid on 25 January 2017	902	-
Final distribution for the year ended 30 June 2017 payable of 5.9848 cents per unit*	15,262	-
Interim distribution for the year ended 30 June 2018 of 2.9231 cents per unit paid on 4 August 2015	-	7,454
Interim distribution for the year ended 30 June 2016 of 0.4953 cents per unit paid on 23 December 2015	-	1,263
Final distribution for the year ended 30 June 2016 of 4.6011 cents per unit paid on 15 July 2016**	(344)	12,078
Final distribution for the year ended 30 June 2015 of 1.1536 cents per unit paid on 4 August 2015***	-	21
	15,820	20,816

* A final distribution for the year ended 30 June 2017 of \$15.339 million (6.0150 cents per unit) was paid on 14 July 2017 (\$0.077 million in excess of amount provided for at 30 June 2017)

** A final distribution for the year ended 30 June 2016 of \$11.734 million was paid on 15 July 2016 (\$0.344 million less than amount provided for at 30 June 2016)

*** A final distribution for the year ended 30 June 2015 of \$2.942 million was paid on 4 August 2015 (\$0.021 million in excess of amount provided for at 30 June 2015)

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Trust that occurred during the period under review.

Events after the Reporting Period

The Trust made a final distribution payment of \$15.339 million for the year ended 30 June 2017 on 14 July 2017.

At the date of this report, there is no other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust subsequent to 30 June 2017 not otherwise disclosed in this report.

Likely Developments and Expected Results of Operations

Disclosure of information relating to the future developments in the operations and the expected results of these operations in future years of the Trust have not been included in the report because the Committee believe it may result in unreasonable prejudice to the Trust.

Interests In the Trust

The movement in units on issue in the Trust during the period is as set out below:

	As at 30 Jun 2017 Units	As at 30 Jun 2016 Units
Units on issue at the beginning of the period	255,018,323	255,018,323
Units on issue at the end of the period	255,018,323	255,018,323

No interests in the Trust were held by the Trustee or its associates during the period (2016: Nil).

Value of Assets

	As at 30 Jun 2017 \$'000	As at 30 Jun 2016 \$'000
Value of Trust assets	309,458	276,540

The value of the Trust's assets is derived using the basis set out in Note 1 to the Special Purpose Financial Report.

Mandated Assets Committee's Report for the year ended 30 June 2017

Rounding of Amounts in the Mandated Assets Committee's Report and Special Purpose Financial Report

Amounts in the Special Purpose Financial Report have been rounded to the nearest thousand dollars unless otherwise indicated.

This report is made in accordance with a resolution of the Mandated Assets Committee.



Francis Kwok
Director

Macquarie Specialised Asset Management
Limited as Trustee of State Super A-Train Trust
and Chair of the Mandated Assets Committee

Sydney
1 September 2017

Special Purpose Financial Report for the year ended 30 June 2017

Statement of Comprehensive Income

	Note	2017 \$'000	2016 \$'000
Revenue and other income			
Revenue	3	-	5
Other Income	3	45,908	36,918
Total revenue and other income		45,908	36,923
Operating expenses			
Other expenses	3	354	-
Total operating expenses		354	-
Profit before amounts attributable to unitholders		45,554	36,923
Finance costs attributable to unitholders			
Distributions to unitholders	7	(15,820)	(20,816)
Increase in net assets attributable to unitholders	8	(29,734)	(16,107)
Profit attributable to unitholders		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-

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

Special Purpose Financial Report as at 30 June 2017

Statement of Financial Position

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	4	46	48
Receivables	5	15,262	12,078
Total current assets		15,308	12,126
Non-current assets			
Financial assets held at fair value through profit or loss	6	294,150	264,414
Total non-current assets		294,150	264,414
Total assets		309,458	276,540
Current liabilities			
Distributions payable	7	15,262	12,078
Total current liabilities		15,262	12,078
Total liabilities (excluding net assets attributable to unitholders)		15,262	12,078
Net assets attributable to unitholders - liability	8	294,196	264,462
Reconciliation to net asset value as reported to investors			
Adjustments		-	-
Net asset value as reported to investors		294,196	264,462

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

Special Purpose Financial Report for the year ended 30 June 2017

Statement of Changes in Equity

	Total \$'000
Total equity at 1 July 2015	-
Profit attributable to unitholders	-
Other comprehensive Income	-
Total comprehensive Income	-
Total equity at 30 June 2016	-
Total equity at 1 July 2016	-
Profit attributable to unitholders	-
Other comprehensive Income	-
Total comprehensive Income	-
Total equity at 30 June 2017	-

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

Special Purpose Financial Report for the year ended 30 June 2017

Statement of Cash Flows

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Interest received from cash and cash equivalents		-	5
Finance cost paid		(1)	-
Distribution received		12,879	11,561
Net cash inflow from operating activities	9	12,878	11,566
Cash flows from financing activities			
Distributions paid		(12,636)	(11,659)
Net cash outflow from financing activities		(12,636)	(11,659)
Net increase/(decrease) in cash and cash equivalents		242	(93)
Cash and cash equivalents at the beginning of the year		48	42
Effects of foreign currency exchange rate changes on cash and cash equivalents		(244)	99
Cash and cash equivalents at the end of the year	4	46	48

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

Special Purpose Financial Report for the year ended 30 June 2017

Notes

1 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of this Financial Report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

This Financial Report covers State Super A-Train Trust ("the Trust") as an individual entity. The entity is a for profit organisation. The Trust is not a reporting entity because there are no users dependent on general purpose financial reports.

This special purpose Financial Report has been prepared for the purposes of complying with the requirements of the Trust's constituent documents to prepare and distribute a special purpose Financial Report to the unitholder and must not be used for any other purpose. The accounting policies adopted are appropriate to meet the needs of the members.

This special purpose Financial Report has not been audited.

Historical cost convention

This Financial Report has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities held at fair value with changes in fair value recognised through the Statement of Comprehensive Income.

(b) Critical accounting estimates and significant judgements

The preparation of Financial Report in accordance with Australian Accounting Standards as adopted by the Trust requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Trust's accounting policies.

The area involving a higher degree of judgement or complexity is the subsequent measurement of investments in financial assets measured at fair value through profit or loss, which are measured at estimated fair value. Refer to note 1(j) and note 6 for further information on the valuation of investments.

(c) Standards, interpretations and amendments to published standards not yet effective

There are no new accounting standards, interpretations or amendments to published standards not yet effective which are expected to have an impact on the Financial Report provided for the Trust.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Report of the Trust are measured using the currency of the primary economic environment in which the Trust operates ("the functional currency"). The Financial Report is presented in Australian dollars, which is the Trust's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Special Purpose Financial Report for the year ended 30 June 2017

1 Summary of Significant Accounting Policies (continued)

(e) Revenue and other income

Gains or losses on financial assets held at fair value through profit or loss represent changes in the fair value of investments and associated interest bearing financial assets. Income relating to these investments is brought to account as described in Note 1(j). Interest income on cash and cash equivalents is recognised as it accrues in accordance with the effective interest method.

(f) Expenses

All expenses are recognised on an accrual basis.

(g) Income tax

Income tax has not been brought to account in respect of the Trust as, pursuant to the *Income Tax Assessment Act 1936*, the Trust is not liable for income tax provided that its distributable income is fully distributed to unitholders each year.

Financial assets held at fair value may include unrealised gains. Should such a gain be realised, that portion of the gain that is assessable for tax will be included in the distributable income such that the Trust is not subject to tax on it.

Realised losses are not distributed to unitholders but are retained in the Trust for possible offset against other income or gains.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Receivables

Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value and subsequently measured at amortised cost less any provision for doubtful debts. A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end where there is objective evidence of impairment. Bad debts are written off in the period in which they are identified.

(j) Investments in financial assets at fair value through profit or loss

Investments in unlisted companies, including associated loans and interest bearing securities, are designated as "financial assets at fair value through profit or loss" upon initial recognition, as they are managed and their performance evaluated on a fair value basis.

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

Financial assets at fair value through profit or loss are also subsequently measured at fair value. Changes in the fair value of investments, both positive and negative, are recognised in the Statement of Comprehensive Income.

Special Purpose Financial Report for the year ended 30 June 2017

1 Summary of Significant Accounting Policies (continued)

(j) Investments in financial assets at fair value through profit or loss (continued)

Interest, dividends and other distributions received from investments are credited against the carrying value of relevant investments when received.

Changes in the fair value of investments denominated in a foreign currency and classified as "financial assets at fair value through profit or loss" are analysed between translation differences resulting from changes in foreign currency translation of the investment and other changes in the fair value of the investment.

(k) Derivative financial instruments

The Trust enters into forward exchange contracts from time to time.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are not designated as hedges and any changes in their fair value are recognised immediately in the Statement of Comprehensive Income.

(l) Payables

Liabilities are recognised at fair value when the Trust becomes obliged to make future payments as a result of a purchase of assets or services, whether or not billed to the Trust.

(m) Unitholders' funds

Each unit is entitled to a pro-rata share of the net assets of the Trust upon its liquidation. Unitholders are presently entitled at the end of the year to distributable income of the Trust for that year. Accordingly, net assets attributable to unitholders are classified as a financial liability rather than equity, and is presented as a non-current liability called "Net Assets Attributable to Unitholders", which is measured at fair value.

(n) Distributions

Distributions paid are recognised as finance costs attributable to unitholders.

A provision for distribution to unitholders at the end of the year is made to the extent that any obligation exists at that time pursuant to the Trust constituent documents to pay distributions to unitholders.

(o) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(p) Rounding of amounts in the Financial Report

Amounts in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Special Purpose Financial Report for the year ended 30 June 2017

2 Trust Formation and Termination

The Trust was established on 30 May 2014 and the Trustee at any time may, with the consent of the unitholders, terminate the Trust by written notice to them with effect from the termination date as specified in the notice. The unitholders may also terminate the Trust in accordance with the Trust constituent documents.

3 Profit for the Period

	2017 \$'000	2016 \$'000
Revenue		
Interest Income	-	5
	-	5
Other income		
Revaluation of Investment	45,908	36,845
Net Foreign exchange gain on non-investment balances	-	73
	45,908	36,918
Total revenue and other income	45,908	36,923
Other expenses		
Net Foreign exchange loss on non-investment balances	353	-
Finance cost	1	-
	354	-
Total operating expenses	354	-

4 Cash and Cash Equivalents

	2017 \$'000	2016 \$'000
Cash at bank	46	48
	46	48

5 Receivables

	2017 \$'000	2016 \$'000
Distribution receivable	15,262	12,078
	15,262	12,078

Special Purpose Financial Report for the year ended 30 June 2017

6 Financial Assets Held at Fair Value through Profit or Loss

Fair value is determined in accordance with a valuation provided by an independent valuation specialist. A valuation report for 30 June 2017 was provided by the independent valuation specialist dated 27 June 2017. Discounted cash flow ("DCF") analysis was the methodology applied by the independent valuation specialist which is the generally accepted methodology for valuing infrastructure assets and the basis upon which market participants have derived valuations for infrastructure asset transactions. DCF is the process of estimating future cash flows that are expected to be generated by an asset, and discounting these cash flows to their present value by applying an appropriate discount rate. The discount rate applied to cash flows of a particular asset comprises the risk free interest rate appropriate to the country in which the asset is located and a risk premium, reflecting the uncertainty associated with the cash flows and/or the return over the risk free rate which an investor would require on the asset. The risk free rate is determined using the yields on long dated government bonds in the relevant jurisdiction at the valuation date.

Movements in Value of Investments

2017	Ownership interest	Opening balance \$'000	Additional investments made \$'000	Distributions received/receivable \$'000	Net gains on financial assets		Closing balance \$'000
					Foreign exchange effects \$'000	Revaluation \$'000	
Ipanema Capital Markets Sarl ("Ipanema") and Portare 1 AB ("Portare")	100.0% in Ipanema and 37.5% in Portare (on a look through basis)	264,414	-	(16,172)	(6,500)	52,408	284,150

2016	Ownership interest	Opening balance \$'000	Additional investments made \$'000	Distributions received/receivable \$'000	Net gains on financial assets		Closing balance \$'000
					Foreign exchange effects \$'000	Revaluation \$'000	
Ipanema Capital Markets Sarl ("Ipanema") and Portare 1 AB ("Portare")	100.0% in Ipanema and 37.5% in Portare (on a look through basis)	248,337	-	(20,768)	3,090	33,755	264,414

Special Purpose Financial Report for the year ended 30 June 2017

7 Distributions Paid and Payable to Unitholder

The distributions paid/ payable were as follows:

	2017 \$'000	2016 \$'000
Balance at the beginning of the year	12,078	2,921
Provided for during the year	15,820	20,816
Paid during the year	(12,636)	(11,659)
Balance at the end of the year	15,262	12,078
Distributions paid and proposed during the year		
Interim distribution for the year ended 30 June 2017 of 0.3536 cents per unit paid on 25 January 2017	902	-
Final distribution for the year ended 30 June 2017 payable of 5.9848 cents per unit*	15,262	-
Interim distribution for the year ended 30 June 2016 of 2.9231 cents per unit paid on 4 August 2015	-	7,454
Interim distribution for the year ended 30 June 2016 of 0.4953 cents per unit paid on 23 December 2015	-	1,263
Final distribution for the year ended 30 June 2016 of 4.6011 cents per unit paid on 15 July 2016**	(344)	12,078
Final distribution for the year ended 30 June 2015 of 1.1536 cents per unit paid on 4 August 2015***	-	21
	15,820	20,816

* A final distribution for the year ended 30 June 2017 of \$15.339 million (6.0150 cents per unit) was paid on 14 July 2017 (\$0.077 million in excess of amount provided for at 30 June 2017)

** A final distribution for the year ended 30 June 2016 of \$11.734 million was paid on 15 July 2016 (\$0.344 million less than amount provided for at 30 June 2016)

*** A final distribution for the year ended 30 June 2015 of \$2.942 million was paid on 4 August 2015 (\$0.021 million in excess of amount provided for at 30 June 2015)

8 Net Assets Attributable to Unitholders

	2017 \$'000	2016 \$'000
Balance at the beginning of the year	264,462	248,355
Increase in net assets attributable to unitholders	29,734	16,107
Balance at the end of the year	294,196	264,462

9 Notes to the Statement of Cash Flows

	2017 \$'000	2016 \$'000
Reconciliation of profit to net cash flow from operating activities		
Profit attributable to unitholders	-	-
Increase in net assets attributable to unitholders	29,734	16,107
Gains on financial assets held at fair value through profit or loss	(45,908)	(36,845)
Distributions to unitholders	15,820	20,816
Net foreign exchange differences	353	(73)
Distributions received	12,879	11,561
Net cash inflow from operating activities	12,878	11,566

Non-cash financing and investing activities

The Trust did not have any non-cash financing and investing activities in the current year. During the previous year ended 30 June 2016 non-cash financing and investing activities were \$Nil.

10 Events After the Reporting Period

The Trust made a final distribution payment of \$15.339 million for the year ended 30 June 2017 on 14 July 2017.

At the date of this report, there is no other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust subsequent to 30 June 2017 not otherwise disclosed in this report.

Special Purpose Financial Report for the year ended 30 June 2017

Statement by the Trustee of State Super A-Train Trust

As stated in Note 1(a) to the Special Purpose Financial Report, the Trust is not considered a reporting entity because there are no users dependent on general purpose financial reports.

The Special Purpose Financial Report has been prepared to meet the requirements of the Trust's constituent documents.

The Report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in Note 1.

Upon delegation by the Trustee Board to the Mandated Assets Committee, the Committee is satisfied that:

- (a) the Special Purpose Financial Report and notes set out on pages 4 to 13:
 - (i) comply with Accounting Standards and other mandatory professional reporting requirements as detailed above, and
 - (ii) give a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Mandated Assets Committee.



Francis Kwok
Director

Macquarie Specialised Asset Management
Limited as Trustee of State Super A-Train Trust
and Chair of the Mandated Assets Committee

Sydney
1 September 2017

ALFRED UNIT TRUST
SPECIAL PURPOSE FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

AMP Capital Investors Limited
33 Alfred Street,
Sydney, NSW 2000
ACN 001 777 591

ALFRED UNIT TRUST

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ALFRED UNIT TRUST

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	30 June 2017	30 June 2016
	\$	\$
INVESTMENT INCOME		
Dividends	9,173,664	10,117,099
Interest income	1,661,396	672,556
Net changes in the fair value of financial instruments measured at fair value through profit or loss	<u>11,522,539</u>	<u>44,275,567</u>
Total investment income/(loss)	<u>22,357,599</u>	<u>55,065,222</u>
EXPENSES		
Total expenses	<u>-</u>	<u>-</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS	22,357,599	55,065,222
Finance costs attributable to unitholders		
Distributions to unitholders	(10,739,926)	(10,785,675)
(Increase)/decrease in net assets attributable to unitholders	<u>(11,617,673)</u>	<u>(44,279,547)</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS	<u>-</u>	<u>-</u>
Other comprehensive income	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	<u>-</u>	<u>-</u>

ALFRED UNIT TRUST

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	30 June 2017 \$	30 June 2016 \$
ASSETS			
Cash and cash equivalents		6,537,461	164,801
Receivables	2	61,801	9,110
Loans and advances		17,473,647	17,473,647
Financial assets measured at fair value through profit or loss			
Unlisted equity securities		<u>209,741,717</u>	<u>198,219,178</u>
TOTAL ASSETS		<u><u>233,814,626</u></u>	<u><u>215,866,736</u></u>
LIABILITIES			
Distributions payable		<u>6,330,216</u>	<u>10,286,842</u>
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u><u>6,330,216</u></u>	<u><u>10,286,842</u></u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u><u>227,484,410</u></u>	<u><u>205,579,894</u></u>

ALFRED UNIT TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	30 June 2017	30 June 2016
	\$	\$
Balance at the beginning of the financial year	205,579,894	161,300,347
Distributions reinvested	<u>10,286,843</u>	<u>-</u>
	215,866,737	161,300,347
Increase/(decrease) in net assets attributable to unitholders	<u>11,617,673</u>	<u>44,279,547</u>
Balance at the end of the financial year	<u><u>227,484,410</u></u>	<u><u>205,579,894</u></u>

ALFRED UNIT TRUST

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

	Notes	30 June 2017 \$	30 June 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		9,173,664	-
Interest income received		<u>1,608,705</u>	<u>663,669</u>
Net cash inflow/(outflow) from operating activities	4(a)	10,782,369	663,669
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		<u>(4,409,709)</u>	<u>(3,288,765)</u>
Net cash inflow/(outflow) from financing activities		(4,409,709)	(3,288,765)
Net increase/(decrease) in cash and cash equivalents held		6,372,660	(2,625,096)
Cash and cash equivalents at the beginning of the financial year		<u>164,801</u>	<u>2,789,897</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		<u><u>6,537,461</u></u>	<u><u>164,801</u></u>

ALFRED UNIT TRUST

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

(a) Trust Information

The Alfred Unit Trust (the "Trust") is an unregistered unit trust. AMP Capital Investors Limited, the Trustee of the Trust, is incorporated and domiciled in Australia. The registered office of the Trustee is located at 33 Alfred Street, Sydney, NSW 2000.

The Investment Manager of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited.

The principal activity of the Trust during the financial year is the investment of unitholders' funds in accordance with the Trust Deed. There has been no significant change in the nature of this activity during the financial year.

(b) Basis of Preparation

This special purpose Financial Report has been prepared for distribution to the unitholders to fulfil the financial reporting requirements under the Trust Deed. In the opinion of the Trustee, the Trust is not deemed to be a "reporting entity" because there are no users dependent on a general purpose Financial Report.

The Financial Report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the Trustee to meet the needs of users of the Financial Report. The Financial Report has been prepared on an accrual basis of accounting including the historical cost convention except for financial assets measured at fair value through profit or loss and the going concern assumption.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Trust's assets and liabilities are held for the purpose of being traded or are expected to be realised within 12 months, except for net assets attributable to unitholders, for which given the nature of the Trust, a reasonable estimate cannot be made of the amount of the balances that are unlikely to be settled within 12 months.

(c) Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets measured at fair value through profit or loss have been classified as held for trading as they are part of a portfolio which is managed for short-term gains. Financial assets are initially recognised at fair value determined as the purchase cost of the financial asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

Unlisted equity securities

The fair value of unlisted equity securities is determined by the Investment Manager using the discounted cash flow methodology. This methodology has been approved by the Trustee.

(d) Loans and Advances

Loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and advances are initially recognised at fair value and are subsequently remeasured to amortised cost using the effective interest method, less any allowances for impairment. Amortised cost is determined by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. Ongoing reviews of asset values are conducted to assess for any indicators of impairment during the financial year. Where the carrying value exceeds the recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income.

(e) Significant Accounting Judgements, Estimates and Assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

ALFRED UNIT TRUST

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Significant Accounting Judgements, Estimates and Assumptions (continued)

Impairment of financial assets

The Trust assesses at each balance date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(f) Investment Income

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

Dividend income

Dividends from unlisted companies are recognised when the dividend is declared.

Interest income

Interest income earned on cash and cash equivalents is recognised on an accrual basis.

Net changes in the fair value of financial instruments measured at fair value through profit or loss

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

(g) Expenses

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

(h) Recognition and Derecognition of Financial Assets and Liabilities

Financial assets and financial liabilities are recognised at the date the Trust becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(i) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments which are readily convertible to cash on hand at the Trustee's option and which the Trustee uses in its day to day management of the Trust's cash requirements.

(j) Receivables

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified less any allowance for doubtful debts. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

(k) Net Assets Attributable to Unitholders

Net assets attributable to unitholders comprise units on issue and undistributed reserves. Net assets attributable to unitholders are classified as financial liabilities and not as equity because the Trustee has a contractual obligation to pay distributable income of the Trust to unitholders and units are redeemable at the unitholders' option (subject to the provisions of the Trust Deed). As there are no equityholders, total comprehensive income attributable to unitholders and equity for the Trust is nil. Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if unitholders exercised their right to redeem their units. The Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders.

(l) Taxation

Under current legislation, the Trust is not liable to pay income tax since, under the terms of the Trust Deed, the unitholders are presently entitled to the income of the Trust.

ALFRED UNIT TRUST

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Distributable Income

In accordance with the Trust Deed, the Trust fully distributes its distributable income to unitholders each tax year. Such distributions are determined by reference to the taxable income of the Trust. Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributable Income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses arising from net changes in the fair value of financial assets and derivative financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

(n) Foreign Currency Transactions

(i) Functional and presentation currency

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The presentation currency of this Financial Report, and the functional currency of the Trust, is the Australian dollar.

(ii) Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated to Australian dollars using the exchange rate at the date when the fair value was determined.

(o) Terms and Conditions of Units on Issue

Issued and paid up units are initially recognised at the fair value of the consideration received by the Trust.

Each unit confers upon the unitholder an equal interest in the Trust (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Trust.

Unitholders have various rights under the Trust Deed, which, subject to certain terms and conditions, include the right to:

- have their units redeemed
- receive income distributions
- attend and vote at meetings of unitholders
- participate in the termination and winding up of the Trust.

Applications received for units in the Trust are recognised net of any transaction costs arising on the issue of units in the Trust. Redemptions from the Trust are recognised gross of any transaction costs payable after the cancellation of units redeemed. Unit entry and exit prices are determined in accordance with the Trust Deed.

(p) Goods and Services Tax ("GST")

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of Financial Position.

Cash flows are disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financial activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

ALFRED UNIT TRUST

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

	30 June 2017 \$	30 June 2016 \$
NOTE 2: RECEIVABLES		
Interest receivable	61,800	9,109
GST receivable	<u>1</u>	<u>1</u>
	<u>61,801</u>	<u>9,110</u>
	30 June 2017 Units	30 June 2016 Units

NOTE 3: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movement in the number of units on issue during the financial year was as follows:

Units on Issue

Opening balance	87,724,277	87,724,277
Distributions reinvested	<u>4,389,558</u>	<u>-</u>
Closing balance	<u>92,113,835</u>	<u>87,724,277</u>

	30 June 2017 \$	30 June 2016 \$
NOTE 4: CASH AND CASH EQUIVALENTS		
(a) Reconciliation of net profit/(loss) attributable to unitholders before finance costs to net cash inflow/(outflow) from operating activities		
Net profit/(loss) attributable to unitholders before finance costs	22,357,599	55,065,222
Net changes in the fair value of financial instruments measured at fair value through profit or loss	(11,522,539)	(44,275,567)
Investment income reinvested	-	(10,117,099)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	<u>(52,691)</u>	<u>(8,887)</u>
Net cash inflow/(outflow) from operating activities	<u>10,782,369</u>	<u>663,669</u>

(b) Non-cash financing and operating activities

Non-cash financing and operating activities carried out during the financial year on normal commercial terms and conditions comprised:

Reinvestment of unitholder distributions	10,286,843	-
Participation in reinvestment plans - loans and advances	-	10,117,099

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Trust had no commitments or contingencies at 30 June 2017 (30 June 2016: nil).

NOTE 6: EVENTS OCCURRING AFTER THE BALANCE DATE

Since 30 June 2017 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Trust.

ALFRED UNIT TRUST

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

NOTE 7: AUTHORISATION OF THE FINANCIAL REPORT

The Financial Report of the Alfred Unit Trust for the financial year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 11 September 2017.

ALFRED UNIT TRUST

STATEMENT BY THE TRUSTEE

In accordance with a resolution of the Directors of AMP Capital Investors Limited, the Trustee, I state that in the opinion of the Directors of the Trustee:

- (a) The Financial Statements and notes are in accordance with the requirements of the Trust Deed, and:
 - (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) comply with Australian Accounting Standards, as set out in Note 1(b) to the Financial Statements.
- (b) There are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.



Director

11 September 2017, Sydney

BUROBA PTY LTD

A.C.N. 065 388 150

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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INDEPENDENT AUDITOR'S REPORT

Buroba Pty Ltd

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Buroba Pty Ltd (the Company), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Company in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

The Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors must assess the Company's ability to continue as a going concern unless the Company will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

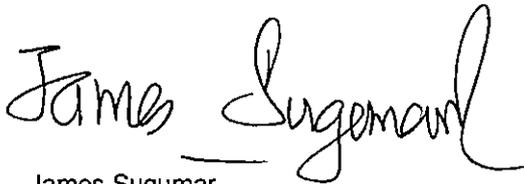
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Company carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar
Director, Financial Audit Services

27 July 2017
SYDNEY

BUROBA PTY LTD

A.C.N. 065 388 150

DIRECTOR'S STATEMENT**FOR THE YEAR ENDED 30 JUNE 2017**

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we declare on behalf of Buroba Pty Ltd that in our opinion:

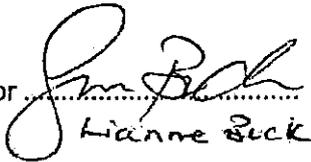
1. The accompanying financial statements exhibit a true and fair view of the financial position of Buroba Pty Ltd as at 30 June 2017 and financial performance for the year then ended.
2. The financial statements have been prepared in accordance with the Australian Accounting standards including Australian Accounting Interpretations, the provisions of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 27th day of July 2017 in accordance with a resolution of the Directors.

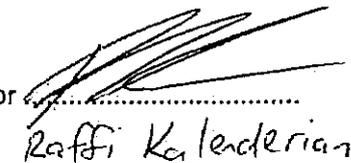
Director

Name:


Lianne Beck

Director

Name:


Raffi Kalerderian

BUROBA PTY LTD

A.C.N. 065 388 150

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Revenue		-	-
Expenses		-	-
Operating Result before Income Tax		-	-
Income tax expense		-	-
Result for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

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

BUROBA PTY LTD

A.C.N. 065 388 150

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Current Assets			
Cash and Cash Equivalents		2	2
Total assets		<u>2</u>	<u>2</u>
Total liabilities		<u>-</u>	<u>-</u>
Net assets		<u>2</u>	<u>2</u>
Equity			
Contributed Equity	4	2	2
Total equity		<u>2</u>	<u>2</u>

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

BUROBA PTY LTD

A.C.N. 065 388 150

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
Equity At 1 July		2	2
Result for the year		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>
Transactions with equity holders in their capacity as equity holders		-	-
Total transactions with equity holders		<u>-</u>	<u>-</u>
At 30 June		<u>2</u>	<u>2</u>

The above Statement of Changes In Equity should be read in conjunction with the accompanying notes.

BUROBA PTY LIMITED
A.C.N. 065 388 150
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
Cash flows from operating activities		
Net cash flows from operating activities	-	-
Cash flows from investing activities		
Net cash flows from investing activities	-	-
Cash flows from financing activities		
Net cash flows from financing activities	-	-
Net increase/decrease in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the financial year	2	2
Cash and cash equivalents at the end of the financial year	2	2

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

BUROBA PTY LTD

A.C.N. 065 388 150

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017****1. Reporting Entity**

Buroba Pty Ltd (the Company) is a dormant entity. It is incorporated in Australia:

The Company is 100% owned by SAS Trustee Corporation (STC) as a special purpose entity set up for the purpose of having an ability to enforce the coal royalty rights owned by STC.

The Directors have determined the Company to be a for-profit entity for financial reporting purposes.

The financial statements were authorised by the Directors on 27th July 2017.

2. Significant Accounting Policies**Basis of Accounting**

The Company's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- *the Public Finance and Audit Act 1983*
- *the Public Finance and Audit Regulation 2015*
- Australian Accounting Standards and Australian Accounting Interpretations

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest dollar and are expressed in Australian currency.

Revenue Recognition

Revenue is recognised when the entity gains control of the good or right to receive, it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably.

Employee Benefits

The Company has no employees.

Accounting Standards Issued but not yet effective

Management has assessed the impact of Australian Accounting Standards and did not identify any material impacts.

BUROBA PTY LTD

A.C.N. 065 388 150

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017****Notes to the Financial Statements (continued)****3. Auditor's Remuneration**

	30 June 2017 \$	30 June 2016 \$
Fee for the audit of the financial statements to the Audit Office of NSW	3,000	3,000
	<u>3,000</u>	<u>3,000</u>

Audit Fees of the Company are paid for by the parent entity – SAS Trustee Corporation (STC).

4. Contributed Equity

Contributed equity continues to represent issued capital comprising 2 shares at \$1.00 each.

BUROBA PTY LTD

A.C.N. 065 388 150

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017****Notes to the Financial Statements (continued)****5. Contingent Liabilities**

The Company has no contingent liabilities at 30 June 2017 (2016: nil).

6. Commitments for Capital or Lease Expenditure

The Company has no commitment for capital or lease expenditure at 30 June 2017 (2016: nil).

7. Key Management Personnel Compensation

The key management personnel of the Company during the year were the following Directors in office during the year ended 30 June 2017 and up to the date of signing these financial statements:

- Mr Raffi Kalenderian (appointed 28 November 2016)
- Ms Lianne Buck (appointed 28 November 2016)
- Ms Sara Leong (resigned 28 November 2016)
- Mr Andrew Barlass (resigned 28 November 2016)

The Directors did not receive any benefits from the Company or from any related entities in relation to the management of the Company.

8. Related Party Information

SAS Trustee Corporation owns 100% of the shares of the Company since 15 July 1997. As in prior years, there were no transactions between the Company and the parent entity except the payment of the audit and lodgement fee as below:

BUROBA PTY LTD

A.C.N. 065 388 150

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017****Notes to the Financial Statements (continued)****Material Assistance Provided at no cost to the Company**

	30 June 2017	30 June 2016
Provided by STC:	\$	\$
• Lodgement fees	249	243
• Audit fees	3,000	3,000
	<u>3,249</u>	<u>3,243</u>

It is not practicable to reliably measure the value of assistance provided by staff of Deutsche Australia Limited or by the New South Wales Treasury Corporation from 28 November 2016 to the Company in relation to administrative, accounting and legal support.

9. Subsequent Events

Directors are not aware of any matters or circumstances that have arisen since the end of the financial year which would have a material effect on the Company's financial statements as at 30 June 2017.

End of Audited Financial Statements.

EG Core Plus Fund No.1 (Head Trust)

Annual financial report - 30 June 2017

EG Core Plus Fund No.1 (Head Trust)
30 June 2017

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EG Core Plus Fund No.1 (Head Trust)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	3	49,855,542	-
Interest income		407,488	10,304
Administration expenses		(431,157)	(259,368)
Management fees		<u>(1,641,660)</u>	<u>(1,574,019)</u>
Profit/(loss) before income tax expense for the year	4	48,190,213	(1,823,083)
Income tax expense		<u>-</u>	<u>-</u>
Profit/(loss) after income tax for the year attributable to the unit holders		48,190,213	(1,823,083)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the unit holders		<u>48,190,213</u>	<u>(1,823,083)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 (Head Trust)
Statement of financial position
As at 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	5	1,507,081	7,879
Trade and other receivables	6	204,271	46,761
Total current assets		<u>1,711,352</u>	<u>54,640</u>
Non-current assets			
Investments	7	<u>79,589,917</u>	<u>134,431,000</u>
Total non-current assets		<u>79,589,917</u>	<u>134,431,000</u>
Total assets		<u>81,301,269</u>	<u>134,485,640</u>
Liabilities			
Current liabilities			
Trade and other payables	8	<u>89,915</u>	<u>103,569</u>
Total current liabilities		<u>89,915</u>	<u>103,569</u>
Total liabilities		<u>89,915</u>	<u>103,569</u>
Net assets		<u>81,211,354</u>	<u>134,382,071</u>
Equity			
Unit capital	9	75,096,417	130,037,500
Retained earnings	10	<u>6,114,937</u>	<u>4,344,571</u>
Total equity		<u>81,211,354</u>	<u>134,382,071</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 (Head Trust)
Notes to the financial statements
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 ('Head Trust') (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 17 February 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower
Suite 1, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users' dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Interest

Interest revenue is recognised on a time proportion basis using the effective interest method.

(d) Cash and cash equivalents

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 that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

EG Core Plus Fund No.1 (Head Trust)
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(f) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

(g) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(i) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(j) Investment

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

Note 3. Revenue

	2017	2016
	\$	\$
Distribution revenue	<u>49,855,542</u>	<u>-</u>

EG Core Plus Fund No.1 (Head Trust)
Notes to the financial statements
For the year ended 30 June 2017

Note 4. Expenses

	2017	2016
	\$	\$
Profit/(loss) before income tax includes the following specific expenses:		
Auditors remuneration:		
Audit of the financial report	30,500	29,500
Other services:	<u>32,400</u>	<u>24,500</u>
	<u>62,900</u>	<u>54,000</u>

Note 5. Current assets - Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank and on hand	<u>1,507,081</u>	<u>7,879</u>

Note 6. Current assets – Trade and other receivables

	2017	2016
	\$	\$
Other receivables	<u>204,271</u>	<u>46,761</u>

Note 7. Non-current assets – Investments

	2017	2016
	\$	\$
Units in EG Core Plus Fund No. 1 holding trusts - at cost	<u>79,589,917</u>	<u>134,431,000</u>

(a) Reconciliation of the investments at the beginning and end of the financial year are set out below

	2017	2016
	\$	\$
Opening balance	134,431,000	134,431,000
Return of capital	<u>(54,841,083)</u>	<u>-</u>
Closing balance	<u>79,431,000</u>	<u>134,431,000</u>

Note 8. Trade and other payables

	2017	2016
	\$	\$
Other payables	<u>89,915</u>	<u>103,569</u>

EG Core Plus Fund No.1 (Head Trust)
Notes to the financial statements
For the year ended 30 June 2017

Note 9. Unit capital

	2017 Number	2016 Number	2017 \$	2016 \$
Ordinary units	<u>75,096,417</u>	<u>130,037,500</u>	<u>75,096,417</u>	<u>130,037,500</u>

Movements in ordinary units

	No of units	\$
Balance at 1 July 2016	130,037,500	130,037,500
Return of capital	(54,941,083)	(54,941,083)
Balance at 30 June 2017	<u>75,096,417</u>	<u>75,096,417</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00.

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Fund in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 10. Retained earnings

Movements in retained earnings during the financial period are as follows:

	2017 \$	2016 \$
Retained earnings at the beginning of the period	4,344,571	100,769
Profit/(loss) after income tax expense for the period	48,190,213	(1,823,083)
Distributions paid to unitholders	<u>(46,419,850)</u>	<u>-</u>
Retained earnings at the end of the period	<u>6,114,937</u>	<u>4,344,571</u>

Note 11. Trust details

(a) The Trust

The Trust was officially established on 17 February 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 16 February 2094.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

EG Core Plus Fund No.1 (Head Trust)
Notes to the financial statements
For the year ended 30 June 2017

Note 11. Trust details

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower
Suite 1, Level 21,
1 Farrer Place
Sydney NSW 2000

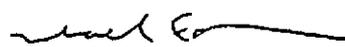
EG Core Plus Fund No.1 (Head Trust)
Fund manager's declaration
For the year ended 30 June 2017

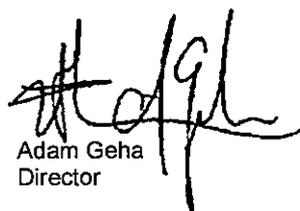
As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.


Michael Easson
Director


Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Holding Trust No.1

**Annual Report
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Holding Trust No.1
30 June 2017

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EG Core Plus Fund No.1 Holding Trust No.1
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Distribution income	3	13,134,370	580,000
Expenses		<u>-</u>	<u>-</u>
Profit before income tax		13,134,370	580,000
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		13,134,370	580,000
Other comprehensive income for the period		-	-
Total comprehensive income for the year attributable to the unit holders		<u><u>13,134,370</u></u>	<u><u>580,000</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.1
Statement of profit or loss and other comprehensive income
As at 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Non-current assets			
Investment in EG Core Plus Fund No1 Ownership Trust No1	4	286,968	10,445,000
Total non-current assets		<u>286,968</u>	<u>10,445,000</u>
Total assets		<u>286,968</u>	<u>10,445,000</u>
Liabilities			
Total liabilities		<u>-</u>	<u>-</u>
Net assets		<u><u>286,968</u></u>	<u><u>10,445,000</u></u>
Equity			
Unit capital	5	286,968	10,445,000
Retained earnings	6	<u>-</u>	<u>-</u>
Total equity		<u><u>286,968</u></u>	<u><u>10,445,000</u></u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.1
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.1 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 17 February 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.1 is a trust domiciled in Australia. Its principal place of business is:
Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Distribution income

Distribution income is measured at the fair value of the consideration received or receivable.

(d) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

EG Core Plus Fund No.1 Holding Trust No.1
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(f) Investment

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

(g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Holding Trust No.1
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 3. Distribution income

	2017	2016
	\$	\$
Distribution income received	<u>13,134,370</u>	<u>580,000</u>

Note 4. Non-current assets - Investments

	2017	2016
	\$	\$
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 1	<u>286,968</u>	<u>10,445,000</u>

(a) Reconciliation of the investment in EG Core Plus Fund No. 1 Ownership Trust No. 1 at the beginning and end of the financial year are set out below:

	2017	2016
	\$	\$
Opening balance at 1 July	10,445,000	10,445,000
Return of capital	<u>(10,158,032)</u>	-
Closing balance at 30 June	<u>286,968</u>	<u>10,445,000</u>

Note 5. Unit capital

	2017	2016	2017	2016
	Number	Number	\$	\$
Ordinary units	<u>286,968</u>	<u>10,445,000</u>	<u>286,968</u>	<u>10,445,000</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00 (2016: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 6. Retained earnings

Movements in retained earnings during the financial year are as follows:

	2017	2016
	\$	\$
Retained earnings at the beginning of the year	-	-
Profit after income tax expense for the year	13,134,370	580,000
Distribution paid during the year	<u>(13,134,370)</u>	<u>(580,000)</u>
Retained earnings at the end of the year	<u>-</u>	<u>-</u>

EG Core Plus Fund No.1 Holding Trust No.1
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 7. Trust details

(a) The Trust

The Trust was officially established on 17 February 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 16 February 2094, unless otherwise extended under Schedule 5 of the Investors Deed.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

EG Core Plus Fund No.1 Holding Trust No.1
Fund Manager's declaration

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Holding Trust No.2

**Annual Report
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Holding Trust No.2
30 June 2017

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EG Core Plus Fund No.1 Holding Trust No.2
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Distribution income	3	1,567,945	1,330,000
Expenses		<u>-</u>	<u>-</u>
Profit before income tax		1,567,945	1,330,000
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year / period attributable to the unit holders		1,567,945	1,330,000
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the year / period attributable to the unit holders		<u>1,567,945</u>	<u>1,330,000</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.2
Statement of profit or loss and other comprehensive income
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Non-current assets			
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 2	4	<u>23,230,000</u>	<u>23,230,000</u>
Total non-current assets		<u>23,230,000</u>	<u>23,230,000</u>
Total assets		<u>23,230,000</u>	<u>23,230,000</u>
Liabilities			
Total liabilities		-	-
Net assets		<u>23,230,000</u>	<u>23,230,000</u>
Equity			
Unit capital	5	23,230,000	23,230,000
Retained earnings	6	-	-
Total equity		<u>23,230,000</u>	<u>23,230,000</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.2
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.2 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 29 August 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.2 is a trust domiciled in Australia. Its principal place of business is:
Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

Distribution income

Distribution income is measured at the fair value of the consideration received or receivable.

Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

EG Core Plus Fund No.1 Holding Trust No.2
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

Investment

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Holding Trust No.2
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 3. Distribution income

	2017 \$	2016 \$
Distribution income received	<u>1,567,945</u>	<u>1,330,000</u>

The comparative period has been restated to appropriately reflect the distribution paid from retained earnings.

Note 4. Non-current assets – Investments

	2017 \$	2016 \$
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 2	<u>23,230,000</u>	<u>23,230,000</u>

Note 5. Unit capital

	2017 Number	2017 \$	2016 Number	2016 \$
Ordinary units	<u>23,230,000</u>	<u>23,230,000</u>	<u>23,230,000</u>	<u>23,230,000</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00 (2016: 1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 6. Retained earnings

Movements in retained earnings during the financial year / period are as follows:

	2017 \$	2016 \$
Retained earnings at the beginning of the year / period	-	-
Profit after income tax expense for the year / period	1,567,945	1,330,000
Distribution paid during the year / period	<u>(1,567,945)</u>	<u>(1,330,000)</u>
Retained earnings at the end of the year / period	<u>-</u>	<u>-</u>

EG Core Plus Fund No.1 Holding Trust No.2
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 7. Trust details

(a) The Trust

The Trust was officially established on 29 August 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 28 August 2094, unless otherwise extended under Schedule 5 of the Investors Deed.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

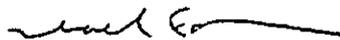
**EG Core Plus Fund No.1 Holding Trust No.2
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Holding Trust No.3

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Holding Trust No.3
30 June 2017

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EG Core Plus Fund No.1 Holding Trust No.3
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Distribution income	3	13,322,334	2,000,000
Expenses		<u>-</u>	<u>-</u>
Profit before income tax		13,322,334	2,000,000
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		13,322,334	2,000,000
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the unit holders		<u>13,322,334</u>	<u>2,000,000</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.3
Statement of profit or loss and other comprehensive income
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Non-current assets			
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 3	4	<u>8,006,367</u>	<u>33,800,000</u>
Total non-current assets		<u>8,006,367</u>	<u>33,800,000</u>
Total assets		<u>8,006,367</u>	<u>33,800,000</u>
Liabilities			
Total liabilities		<u>-</u>	<u>-</u>
Net assets		<u>8,006,367</u>	<u>33,800,000</u>
Equity			
Unit capital	5	8,006,367	33,800,000
Retained earnings	6	<u>-</u>	<u>-</u>
Total equity		<u>8,006,367</u>	<u>33,800,000</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.3
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.3 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 17 September 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.3 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Distribution income

Distribution income is measured at the fair value of the consideration received or receivable.

(d) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

EG Core Plus Fund No.1 Holding Trust No.3
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(f) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(g) Investment

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

EG Core Plus Fund No.1 Holding Trust No.3
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 3. Distribution income

	2017 \$	2016 \$
Distribution income received	<u>13,322,334</u>	<u>2,000,000</u>

The comparative period has been restated to appropriately reflect the distribution paid from retained earnings.

Note 4. Non-current assets – Investment

	2017 \$	2016 \$
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 3	<u>8,006,367</u>	<u>33,800,000</u>

Note 5. Unit capital

	2017 Number	2017 \$	2016 Number	2016 \$
Ordinary units	<u>8,006,367</u>	<u>8,006,367</u>	<u>33,800,000</u>	<u>33,800,000</u>

Movements in ordinary units

	No of units	Issue price	\$
Balance at 1 July 2016	33,800,000	\$1.00	33,800,000
Distribution of capital	(25,793,633)	\$1.00	(25,793,633)
Balance at 30 June 2017	<u>8,006,367</u>		<u>8,006,367</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00 (2016: 1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 6. Retained earnings

Movements in retained earnings during the financial year are as follows:

	2017 \$	2016 \$
Retained earnings at the beginning of the year	-	-
Profit after income tax expense for the year	13,322,334	2,000,000
Distribution during the year	<u>(13,322,334)</u>	<u>(2,000,000)</u>
Retained earnings at the end of the year	<u>-</u>	<u>-</u>

EG Core Plus Fund No.1 Holding Trust No.3
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 7. Trust details

(a) The Trust

The Trust was officially established on 17 September 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 16 September 2094, unless otherwise extended under Schedule 5 of the Investors Deed.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

**EG Core Plus Fund No.1 Holding Trust No.3
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Holding Trust No.4

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Holding Trust No.4
30 June 2017

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EG Core Plus Fund No.1 Holding Trust No.4
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Distribution income	3	1,000,000	766,585
Expenses		<u>-</u>	<u>-</u>
Profit before income tax		1,000,000	766,585
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		1,000,000	766,585
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the unit holders		<u>1,000,000</u>	<u>766,585</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.4
Statement of profit or loss and other comprehensive income
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Non-current assets			
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 4	4	13,100,000	13,000,000
Total non-current assets		<u>13,100,000</u>	<u>13,000,000</u>
Total assets		<u>13,100,000</u>	<u>13,000,000</u>
Liabilities			
Total liabilities		-	-
Net assets		<u>13,100,000</u>	<u>13,000,000</u>
Equity			
Unit capital	5	13,100,000	13,000,000
Retained earnings	6	-	-
Total equity		<u>13,100,000</u>	<u>13,000,000</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.4
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.4 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 8 October 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.4 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Distribution income

Distribution income is measured at the fair value of the consideration received or receivable.

(d) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

EG Core Plus Fund No.1 Holding Trust No.4
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(f) Investment

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

(g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Holding Trust No.4
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 3. Distribution income

	2017 \$	2016 \$
Distribution income received	<u>1,000,000</u>	<u>766,585</u>

Note 4. Non-current assets – Investment

	2017 \$	2016 \$
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 4	<u>13,100,000</u>	<u>13,000,000</u>

(a) Reconciliation of the investment in EG Core Plus Fund No. 1 Ownership Trust No. 4 at the beginning and end of the financial year are set out below:

Opening balance	13,000,000	12,700,000
Investment during the year	<u>100,000</u>	<u>300,000</u>
Closing balance	<u>13,100,000</u>	<u>13,000,000</u>

Note 5. Unit capital

	2017 Number	2017 \$	2016 Number	2016 \$
Ordinary units	<u>13,100,000</u>	<u>13,100,000</u>	<u>13,000,000</u>	<u>13,000,000</u>

Movements in ordinary units

	No of units	Issue price	\$
Balance at 1 July 2016	13,000,000		13,000,000
Issue of units	100,000	\$1.00	100,000
Balance at 30 June 2017	<u>13,100,000</u>		<u>13,100,000</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00 (2016: 1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

EG Core Plus Fund No.1 Holding Trust No.4
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 6. Retained earnings

Movements in retained earnings during the financial year are as follows:

	2017	2016
	\$	\$
Retained earnings at the beginning of the year	-	-
Profit after income tax expense for the year	1,000,000	766,585
Distribution during the year	<u>(1,000,000)</u>	<u>(766,585)</u>
Retained earnings at the end of the year	<u>-</u>	<u>-</u>

Note 7. Trust details

(a) The Trust

The Trust was officially established on 8 October 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 7 October 2094, unless otherwise extended under Schedule 5 of the Investors Deed.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

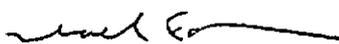
**EG Core Plus Fund No.1 Holding Trust No.4
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

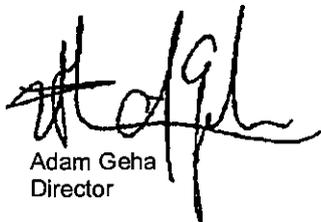
The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Holding Trust No.5

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Holding Trust No.5
30 June 2017

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EG Core Plus Fund No.1 Holding Trust No.5
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Distribution income	3	19,676,952	687,015
Expenses		<u>-</u>	<u>-</u>
Profit before income tax		19,676,952	687,015
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		19,676,952	687,015
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the unit holders		<u>19,676,952</u>	<u>687,015</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.5
Statement of profit or loss and other comprehensive income
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Non-current assets			
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 5	4	<u>510,582</u>	<u>19,500,000</u>
Total non-current assets		<u>510,582</u>	<u>19,500,000</u>
Total assets		<u>510,582</u>	<u>19,500,000</u>
Liabilities			
Total liabilities		<u>-</u>	<u>-</u>
Net assets		<u>510,582</u>	<u>19,500,000</u>
Equity			
Unit capital	5	510,582	19,500,000
Retained earnings	6	<u>-</u>	<u>-</u>
Total equity		<u>510,582</u>	<u>19,500,000</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.5
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.5 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 16 January 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.5 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Distribution income

Distribution income is measured at the fair value of the consideration received or receivable.

(d) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

EG Core Plus Fund No.1 Holding Trust No.5
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(f) Investment

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

(g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Holding Trust No.5
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 3. Distribution income

	2017 \$	2016 \$
Distribution income received	<u>19,676,952</u>	<u>687,015</u>

Note 4. Non-current assets – Investments

	2017 \$	2016 \$
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 5	<u>510,582</u>	<u>19,500,000</u>

Note 5. Unit capital

	2017 Number	2017 \$	2016 Number	2016 \$
	<u>510,582</u>	<u>510,582</u>	<u>19,500,000</u>	<u>19,500,000</u>

Movements in ordinary units

	No of units	Issue price	\$
Balance at 1 July 2016	19,500,000		19,500,000
Distribution of capital	(18,989,418)	\$1.00	(18,989,418)
Balance at 30 June 2017	<u>510,582</u>		<u>510,582</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00 (2016: 1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 6. Retained earnings

Movements in retained earnings during the financial period are as follows:

	2017 \$	2016 \$
Retained earnings at the beginning of the	-	-
Profit after income tax expense for the year	19,676,952	687,015
Distribution paid during the year	<u>(19,676,952)</u>	<u>(687,015)</u>
Retained earnings at the end of the year	<u>-</u>	<u>-</u>

EG Core Plus Fund No.1 Holding Trust No.5
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 7. Trust details

(a) The Trust

The Trust was officially established on 16 January 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 15 January 2095, unless otherwise extended under Schedule 5 of the Investors Deed.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

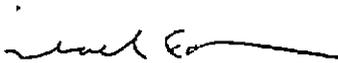
**EG Core Plus Fund No.1 Holding Trust No.5
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Holding Trust No.6

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Holding Trust No.6
30 June 2017

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EG Core Plus Fund No.1 Holding Trust No.6
Statement of profit or loss and other comprehensive income
As at 30 June 2017

	Notes	2017 \$	2016 \$
Distribution income	3	153,938	703,285
Expenses		<u>-</u>	<u>-</u>
Profit before income tax		153,938	703,285
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		153,938	703,285
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the unit holders		<u>153,938</u>	<u>703,285</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.6
Statement of profit or loss and other comprehensive income
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Non-current assets			
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 6	4	<u>7,400,000</u>	<u>7,400,000</u>
Total non-current assets		<u>7,400,000</u>	<u>7,400,000</u>
Total assets		<u>7,400,000</u>	<u>7,400,000</u>
Liabilities			
Total liabilities		<u>-</u>	<u>-</u>
Net assets		<u>7,400,000</u>	<u>7,400,000</u>
Equity			
Unit capital	5	7,400,000	7,400,000
Retained earnings	6	<u>-</u>	<u>-</u>
Total equity		<u>7,400,000</u>	<u>7,400,000</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.6
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.6 (referred to hereafter as 'the Trust') for the period 25 March 2016 to 30 June 2017. The Trust was established by Trust Deed dated 25 March 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.6 is a trust domiciled in Australia. Its principal place of business is:
Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Distribution income

Distribution income is measured at the fair value of the consideration received or receivable.

(d) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

EG Core Plus Fund No.1 Holding Trust No.6
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(f) Investment

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

(g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Holding Trust No.6
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 3. Other Comprehensive Income

	2017 \$	2016 \$
Distribution income received	<u>153,938</u>	<u>703,285</u>

Note 4. Non-current assets – Investments

	2017 \$	2016 \$
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 6	<u>7,400,000</u>	<u>7,400,000</u>

Note 5. Unit capital

	2017 Number	2017 \$	2016 Number	2016 \$
Ordinary units	<u>7,400,000</u>	<u>7,400,000</u>	<u>7,400,000</u>	<u>7,400,000</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00 (2016: 1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 6. Retained earnings

Movements in retained earnings during the financial year are as follows:

	2017 \$	2016 \$
Retained earnings at the beginning of the year	-	-
Profit after income tax expense for the year	153,938	703,285
Distribution during the year	<u>(153,938)</u>	<u>(703,285)</u>
Retained earnings at the end of the year	<u>-</u>	<u>-</u>

EG Core Plus Fund No.1 Holding Trust No.6
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 7. Trust details

(a) The Trust

The Trust was officially established on 25 March 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 24 March 2095, unless otherwise extended under Schedule 5 of the Investors Deed.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

**EG Core Plus Fund No.1 Holding Trust No.6
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Gena
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Holding Trust No.7

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Holding Trust No.7
30 June 2017

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EG Core Plus Fund No.1 Holding Trust No.7
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Distribution income	3	1,000,000	64,460
Expenses		-	-
Profit before income tax		1,000,000	64,460
Income tax expense		-	-
Profit after income tax for the year attributable to the unit holders		1,000,000	64,460
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to the unit holders		<u>1,000,000</u>	<u>64,460</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.7
Statement of profit or loss and other comprehensive income
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Non-current assets			
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 7	4	<u>27,056,000</u>	<u>27,056,000</u>
Total non-current assets		<u>27,056,000</u>	<u>27,056,000</u>
Total assets		<u>27,056,000</u>	<u>27,056,000</u>
Liabilities			
Total liabilities		-	-
Net assets		<u>27,056,000</u>	<u>27,056,000</u>
Equity			
Unit capital	5	27,056,000	27,056,000
Retained earnings	6	-	-
Total equity		<u>27,056,000</u>	<u>27,056,000</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.7
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.7 (referred to hereafter as 'the Trust') for the period from 31 March 2015 to 30 June 2017. The Trust was established by Trust Deed dated 31 March 2015.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.7 is a trust domiciled in Australia. Its principal place of business is:
Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(d) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

EG Core Plus Fund No.1 Holding Trust No.7
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(f) Investment

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

(g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Holding Trust No.7
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 3. Other Comprehensive Income

	2017 \$	2016 \$
Distribution income received	<u>1,000,000</u>	<u>64,460</u>

Note 4. Non-current assets – Investments

	2017 \$	2016 \$
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 7	<u>27,056,000</u>	<u>27,056,000</u>

Note 5. Unit capital

	2017 Number	2017 \$
Ordinary units	<u>27,056,000</u>	<u>27,056,000</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00 (2016: 1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 6. Retained earnings

Movements in retained earnings during the financial year are as follows:

	2017 \$	2016 \$
Retained earnings at the beginning of the year	-	-
Profit after income tax expense for the year	1,000,000	64,460
Distribution during the year	<u>(1,000,000)</u>	<u>(64,460)</u>
Retained earnings at the end of the year	<u>-</u>	<u>-</u>

EG Core Plus Fund No.1 Holding Trust No.7
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 7. Trust details

(a) The Trust

The Trust was officially established on 25 March 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 24 March 2095, unless otherwise extended under Schedule 5 of the Investors Deed.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

EG Core Plus Fund No.1 Holding Trust No.7
Fund Manager's declaration

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Holding Trust No.8

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Holding Trust No.8
30 June 2017

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EG Core Plus Fund No.1 Holding Trust No.8
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	Period 12 November 2016 to 30 June 2016 \$
Distribution income		-	-
Expenses		-	-
Profit before income tax		-	-
Income tax expense		-	-
Profit after income tax for the year/period attributable to the unit holders		-	-
Other comprehensive income for the year/period, net of tax		-	-
Total comprehensive income for the year/period attributable to the unit holders		-	-

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.8
Statement of profit or loss and other comprehensive income
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Non-current assets			
Investment in EG Core Plus Fund No. 1 Ownership Trust No. 8		-	-
Total non-current assets		-	-
Total assets		-	-
Liabilities			
Total liabilities		-	-
Net assets		-	-
Equity			
Unit capital		-	-
Retained earnings		-	-
Total equity		-	-

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Holding Trust No.8
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.8 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 12 November 2015.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.8 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Distribution income

Distribution income is measured at the fair value of the consideration received or receivable.

(d) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

EG Core Plus Fund No.1 Holding Trust No.8
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(f) Investment

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

(g) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Note 3. Trust details

(a) The Trust

The Trust was officially established on 12 November 2015 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 11 November 2095.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21
1 Farrer Place
Sydney NSW 2000

**EG Core Plus Fund No.1 Holding Trust No.8
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

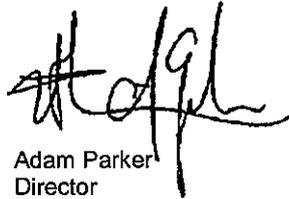
The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Parker
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Ownership Trust No. 1

Annual financial report - 30 June 2017

EG Core Plus Fund No.1 (Ownership Trust No.1)
30 June 2017

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EG Core Plus Fund No.1 Ownership Trust No.1
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	3	209,992	1,394,094
Other income	3	11,795	18,436
Property expenses		(1,359,313)	(467,474)
Administration expenses		(68,336)	(26,617)
Finance costs		(288,531)	(422,669)
Net fair value gain on investment properties	6	<u>8,548,367</u>	<u>3,656,334</u>
Profit before income tax expense for the year		7,053,974	4,152,104
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		7,053,974	4,152,104
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the unit holders		<u>7,053,974</u>	<u>4,152,104</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.1
Notes to the financial statements
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	285,131	696,607
Trade and other receivables	5	<u>1,837</u>	<u>127,902</u>
Total current assets		<u>286,968</u>	<u>824,509</u>
Non-current assets			
Investment properties	6	<u>-</u>	<u>24,000,000</u>
Total non-current assets		<u>-</u>	<u>24,000,000</u>
Total assets		<u>286,968</u>	<u>24,824,509</u>
Liabilities			
Current liabilities			
Trade and other payables	7	-	110,968
Borrowings	8	<u>-</u>	<u>8,188,145</u>
Total current liabilities		<u>-</u>	<u>8,299,113</u>
Total liabilities		<u>-</u>	<u>8,229,113</u>
Net assets		<u>286,968</u>	<u>16,525,396</u>
Equity			
Unit capital	9	286,968	10,445,000
Retained earnings	10	<u>-</u>	<u>6,080,396</u>
Total equity		<u>286,968</u>	<u>16,525,396</u>

The above statement of financial position should be read in conjunction with the accompanying notes, read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.1
Notes to the financial statements
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.1 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 17 February 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.1 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower
Suite 1, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental Income

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Interest

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

EG Core Plus Fund No.1 Ownership Trust No.1

Notes to the financial statements

For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

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 that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

(g) Investment property

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

Valuations

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

Disposals

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

Note 2. Summary of significant accounting policies (continued)

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(j) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(l) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

(m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

EG Core Plus Fund No.1 Ownership Trust No.1
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(m) Fair value measurement (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 3. Revenue

	2017	2016
	\$	\$
Rental revenue	185,820	827,155
Tenant recoveries	24,172	566,939
	<u>209,992</u>	<u>1,394,094</u>
Interest revenue	11,795	18,436
	<u>11,795</u>	<u>18,436</u>

Note 4. Current assets - Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank and on hand	<u>285,131</u>	<u>696,607</u>

Note 5. Current assets – Trade and other receivables

	2017	2016
	\$	\$
Trade receivables	1,837	51,493
Prepayments	-	76,409
	<u>1,837</u>	<u>127,902</u>

Note 6. Non-current assets – Investment properties

	2017	2016
	\$	\$
Investment properties – at fair value	<u>-</u>	<u>24,000,000</u>

EG Core Plus Fund No.1 Ownership Trust No.1
Notes to the financial statements
For the year ended 30 June 2017

Note 6. Non-current assets – Investment properties (continued)

(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial period are set out below

	2017	2016
	\$	\$
Opening balance	24,000,000	20,000,000
Additions	451,633	343,666
Revaluation increments	8,548,367	3,656,334
Disposal	<u>(33,000,000)</u>	<u>-</u>
Closing fair value at 30 June	<u>-</u>	<u>24,000,000</u>

Note 7. Trade and other payables

	2017	2016
	\$	\$
Trade payables	-	102,091
Other payables	<u>-</u>	<u>8,877</u>
	<u>-</u>	<u>110,968</u>

Note 8. Borrowings

	2017	2016
	\$	\$
<i>Current</i>		
Bank loans	<u>-</u>	<u>8,188,145</u>

Interest rate risk

The bank loans were bearing all-in variable interest rates of 3.84% (2016: 3.84%) per annum.

Assets pledged as security

The bank loans were secured by first ranking mortgage over the Trust's investment property related to the borrowings.

Covenant conditions

The bank loans include covenant conditions that require the maintenance of certain financial ratios.

EG Core Plus Fund No.1 Ownership Trust No.1
Notes to the financial statements
For the year ended 30 June 2017

Note 9. Unit capital

	2017 Number	2016 Number	2017 \$	2016 \$
Ordinary units	<u>286,968</u>	<u>10,445,000</u>	<u>286,968</u>	<u>10,445,000</u>

Movements in ordinary units

	No of units	Issue price	\$
Balance at 1 July 2016	10,445,000		10,445,000
Return of capital	(10,158,032)	\$1.00	(10,158,032)
Balance at 30 June 2017	<u>286,968</u>		<u>286,968</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00.

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Fund in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 10. Retained earnings

Movements in retained earnings during the financial period are as follows:

	2017 \$	2016 \$
Retained earnings at the beginning of the year	6,080,396	2,508,292
Profit after income tax expense for the year	7,053,974	4,152,104
Distribution to Holding Trust	<u>(13,134,370)</u>	<u>(580,000)</u>
Retained earnings at the end of the year	<u>-</u>	<u>6,080,396</u>

EG Core Plus Fund No.1 Ownership Trust No.1
Notes to the financial statements
For the year ended 30 June 2017

Note 11. Trust details

(a) The Trust

The Trust was officially established on 17 February 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 16 February 2094.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:

Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower
Suite 1, Level 21,
1 Farrer Place
Sydney NSW 2000

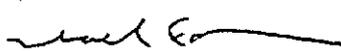
EG Core Plus Fund No.1 Ownership Trust No.1
Fund manager's declaration
For the year ended 30 June 2017

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

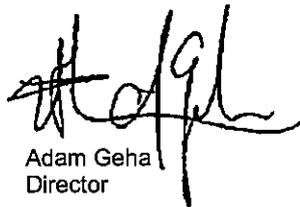
The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Ownership Trust No.2

**Annual Report
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Ownership Trust No.2
30 June 2017

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EG Core Plus Fund No.1 Ownership Trust No.2
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	3	4,645,347	4,173,481
Other income	3	31,281	19,933
Property expenses		(1,504,488)	(1,551,789)
Administration expenses		53,295	(10,646)
Finance costs		(999,702)	(967,098)
Net fair value gain/(loss) on investment properties	6	<u>82,292</u>	<u>(3,031,110)</u>
Profit before income tax		2,308,025	4,694,991
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		2,308,025	4,694,991
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the unit holders		<u>2,308,025</u>	<u>4,694,991</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.2
Statement of financial position
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	2,023,884	1,706,412
Trade and other receivables	5	<u>259,403</u>	<u>573,095</u>
Total current assets		<u>2,283,287</u>	<u>2,279,507</u>
Non-current assets			
Investment properties	6	<u>47,000,000</u>	<u>46,750,000</u>
Total non-current assets		<u>47,000,000</u>	<u>46,750,000</u>
Total assets		<u>49,283,287</u>	<u>49,029,507</u>
Liabilities			
Current liabilities			
Trade and other payables	7	<u>106,480</u>	<u>588,997</u>
Total non-current liabilities		<u>106,480</u>	<u>588,997</u>
Non-current liabilities			
Trade and other payables	9	-	3,783
Borrowings	8	<u>20,450,167</u>	<u>20,450,167</u>
Total non-current liabilities		<u>20,450,167</u>	<u>20,450,950</u>
Total liabilities		<u>20,556,647</u>	<u>21,042,947</u>
Net assets		<u>28,726,640</u>	<u>27,986,560</u>
Equity			
Unit capital	10	23,230,000	23,230,000
Retained earnings	11	<u>5,496,640</u>	<u>1,391,569</u>
Total equity		<u>28,726,640</u>	<u>24,621,569</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.2
Notes to the financial statements
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.2 (referred to hereafter as 'the Trust') for the financial year ended 30 June 2017. The Trust was established by Trust Deed dated 29 August 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.2 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower
Suite 1, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental Income

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Interest

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

EG Core Plus Fund No.1 Ownership Trust No.2
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

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 that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

(g) Investment property

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

Valuations

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

Disposals

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.2
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(j) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(l) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.2
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 3. Revenue

	2017	2016
	\$	\$
Rental revenue	3,875,934	3,626,409
Tenant recoveries	<u>769,413</u>	<u>547,072</u>
	<u>4,645,347</u>	<u>4,173,481</u>
Other income	<u>31,281</u>	<u>19,933</u>
	<u>31,281</u>	<u>19,933</u>

Note 4. Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank and on hand	<u>2,023,884</u>	<u>1,706,412</u>

EG Core Plus Fund No.1 Ownership Trust No.2
Notes to the financial statements
For the year ended 30 June 2017

Note 5. Trade and other receivables

	2017	2016
	\$	\$
Trade receivables	166,325	458,901
Prepayments	93,078	114,194
	<u>259,402</u>	<u>573,095</u>

Note 6. Non-current assets – Investment properties

	2017	2016
	\$	\$
Investment properties – at fair value	<u>47,000,000</u>	<u>46,750,000</u>

(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial year are set out below

Opening balance	46,750,000	43,700,000
Additions	167,708	18,890
Revaluation increments	82,292	3,031,110
Closing fair value	<u>47,000,000</u>	<u>46,750,000</u>

Note 7. Current - Trade and other payables

	2017	2016
	\$	\$
Other payables	<u>106,480</u>	<u>588,997</u>

Note 8. Non-current liabilities – Borrowings

	2017	2016
	\$	\$
Bank loans	<u>20,450,167</u>	<u>20,450,167</u>

Interest rate risk

The bank loans are currently bearing all-in variable interest rates of between 3.02% (2016: 3.02%) per annum.

Assets pledged as security

The bank loans are secured by first ranking mortgage over the Trust's investment property related to the borrowings. The fair value of the investment property secured is \$47,000,000 (2016: \$46,750,000).

Covenant conditions

The bank loans include covenant conditions that require the maintenance of certain financial ratios.

Financing arrangements

The Trust's bank loan facility limit at the reporting date was \$20,600,000 (2016: \$20,600,000) which has been fully utilised.

EG Core Plus Fund No.1 Ownership Trust No.2
Notes to the financial statements
For the year ended 30 June 2017

Note 9. Non-current - Trade and other payables

	2017 \$	2016 \$
Other payables	<u>-</u>	<u>3,783</u>

Note 10. Unit capital

	2017 Number	2017 \$	2016 Number	2016 \$
Ordinary units	<u>23,230,000</u>	<u>23,230,000</u>	<u>23,230,000</u>	<u>23,230,000</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00.

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 11. Retained earnings

Movements in Retained earnings during the financial year are as follows:

	2017 \$	2016 \$
Retained earnings at the beginning of the year	4,756,560	1,391,569
Profit after income tax expense for the year	2,308,025	4,694,991
Distribution to Holding Trust	<u>(1,567,945)</u>	<u>(1,330,000)</u>
Retained earnings at the end of the year	<u>5,496,640</u>	<u>4,756,560</u>

EG Core Plus Fund No.1 Ownership Trust No.2
Notes to the financial statements
For the year ended 30 June 2017

Note 12. Trust details

(a) The Trust

The Trust was officially established on 29 August 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 28 August 2094.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:
Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:
Governor Phillip Tower
Suite 1, Level 21,
1 Farrer Place
Sydney NSW 2000

**EG Core Plus Fund No. 1 Ownership Trust No. 2
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geta
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Ownership Trust No.3

Annual Report -

For the year ended 30 June 2017

EG Core Plus Fund No.1 Ownership Trust No.3

30 June 2017

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EG Core Plus Fund No.1 Ownership Trust No.3
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	3	5,866,212	6,006,656
Other income	3	48,539	22,815
Property expenses		(687,773)	(929,871)
Administration expenses		(45,204)	(18,941)
Finance costs		(2,649,632)	(1,415,753)
Net fair value gain on investment properties	6	<u>6,843,892</u>	<u>2,707,742</u>
Profit before income tax		9,376,031	6,372,648
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		9,376,031	6,372,648
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the unit holders		<u>9,376,031</u>	<u>6,372,648</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.3
Statement of financial position
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	39,300,945	2,111,842
Trade and other receivables	5	373,781	153,422
Total current assets		<u>39,674,726</u>	<u>2,265,264</u>
Non-current assets			
Investment properties	6	-	68,000,000
Total non-current assets		<u>-</u>	<u>68,000,000</u>
Total assets		<u>39,674,727</u>	<u>70,265,264</u>
Liabilities			
Current liabilities			
Trade and other payables	7	208,684	139,976
Borrowings	8	31,459,676	-
Total current liabilities		<u>31,668,360</u>	<u>139,976</u>
Non-current liabilities			
Trade and other payables	9	-	919,309
Borrowings	8	-	31,459,676
Total non-current liabilities		<u>-</u>	<u>32,378,985</u>
Total liabilities		<u>31,668,360</u>	<u>32,518,961</u>
Net assets		<u>8,006,367</u>	<u>37,746,303</u>
Equity			
Unit capital	10	8,006,367	33,800,000
Retained earnings	11	-	3,946,303
Total equity		<u>8,006,367</u>	<u>37,746,303</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.3
Notes to the financial statements
For the period ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.3 (referred to hereafter as 'the Trust') for the year ended to 30 June 2017. The Trust was established by Trust Deed dated 17 September 2014.

The financial statements are presented in Australian dollars, which is the Trust's' functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.3 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower
Suite 1, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental Income

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Interest

Interest income is recognised on a time proportion basis using the effective interest method.

EG Core Plus Fund No.1 Ownership Trust No.3

Notes to the financial statements

For the period ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

(e) Cash and cash equivalents

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 that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

(g) Investment property

Investment properties may be held for rental yields, capital appreciation and/or development. All investment properties are considered one class of asset.

Valuations

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value. Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

EG Core Plus Fund No.1 Ownership Trust No.3
Notes to the financial statements
For the period ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(g) Investment property (continued)

Disposals

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(j) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(l) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.3
Notes to the financial statements
For the period ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 3. Revenue

	2017	2016
	\$	\$
Rental revenue	5,257,189	5,218,949
Tenant recoveries	609,023	787,707
	<u>5,866,212</u>	<u>6,006,656</u>
Interest revenue	48,539	22,815
	<u>48,539</u>	<u>22,815</u>

Note 4. Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank and on hand	<u>39,300,945</u>	<u>2,111,842</u>

EG Core Plus Fund No.1 Ownership Trust No.3
Notes to the financial statements
For the period ended 30 June 2017

Note 5. Trade and other receivables

	2017	2016
	\$	\$
Trade receivables	-	38,722
Other receivables	373,781	945
Prepayments	-	111,954
	<u>373,781</u>	<u>151,621</u>

Note 6. Non-current assets – Investment properties

	2017	2016
	\$	\$
Investment properties – at fair value	<u>-</u>	<u>68,000,000</u>

(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial year are set out below

Opening balance	68,000,000	65,000,000
Additions	596,892	292,258
Revaluation increments	6,843,892	2,707,742
Disposal	<u>(74,247,000)</u>	
Closing fair value	<u>-</u>	<u>68,000,000</u>

Note 7. Current - Trade and payables

	2017	2016
	\$	\$
Other payables	<u>208,684</u>	<u>139,976</u>

Note 8. Non-current liabilities – Borrowings

	2017	2016
	\$	\$
<i>Current</i>		
Bank loans	<u>31,459,676</u>	<u>-</u>
<i>Non-Current</i>		
Bank loans	<u>-</u>	<u>31,459,676</u>

Interest rate risk

The bank loans are currently bearing all-in variable interest rates of 3.09% per annum. (2016: 3.54%)

Assets pledged as security

The bank loans are secured by first ranking mortgage over the Trust's investment property related to the borrowings. The fair value of the investment property secured is \$68,000,000 (2016: \$68,000,000).

EG Core Plus Fund No.1 Ownership Trust No.3
Notes to the financial statements
For the period ended 30 June 2017

Note 8. Non-current liabilities – Borrowings (continued)

Covenant conditions

The bank loans include covenant conditions that require the maintenance of certain financial ratios.

Financing arrangements

The Trust's bank loan facility limit at the reporting date was \$31,500,000 of which \$31,500,000 was utilised. Unrestricted access was available at the reporting date for the unused bank loan facility of \$nil. (2016: \$nil)

Note 9. Non-current - Trade and payables

	2017 \$	2016 \$
Other payables	-	919,309

Note 10. Unit capital

	2017 Number	2016 Number	2017 \$	2016 \$
Ordinary units	<u>8,006,367</u>	<u>33,800,000</u>	<u>8,006,367</u>	<u>33,800,000</u>

Movements in ordinary units

	No of units	Issue price	\$
Balance at 1 July 2016	33,800,000		33,800,000
Return of capital	(25,793,633)	\$1.00	(25,793,633)
Balance at 30 June 2017	<u>8,006,367</u>		<u>8,006,367</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00.

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

EG Core Plus Fund No. 1 Ownership Trust No. 3
Notes to the financial statements
For the period ended 30 June 2017

Note 11. Retained earnings

Movements in retained earnings during the financial period are as follows:

	2017	2016
	\$	\$
Retained earnings/(accumulated losses) at the beginning of the year	3,946,303	(426,345)
Profit after income tax expense for the year	9,376,031	6,372,648
Distribution to Holding Trust	(13,322,334)	(2,000,000)
Retained earnings at the end of the year	<u>-</u>	<u>3,946,303</u>

Note 12. Trust details

(a) The Trust

The Trust was officially established on 17 September 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 16 September 2094.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:
 Level 15
 20 Bond Street
 Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:
 Governor Phillip Tower
 Suite 1, Level 21,
 1 Farrer Place
 Sydney NSW 2000

**EG Core Plus Fund No. 1 Ownership Trust No. 3
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Ownership Trust No. 4

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Ownership Trust No.4
30 June 2017

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EG Core Plus Fund No.1 Ownership Trust No.4
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	3	2,774,925	2,602,723
Other income	3	19,963	10,716
Property expenses		(561,543)	(594,495)
Administration expenses		(5,451)	(17,168)
Finance costs		(294,222)	(335,357)
Net fair value gain on investment properties	6	<u>7,814,170</u>	<u>1,495,201</u>
Profit before income tax		9,747,842	3,161,620
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		9,747,842	3,161,620
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the unit holders		<u>9,747,842</u>	<u>3,161,620</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.4
Statement of financial position
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	70,586	989,042
Trade and other receivables	5	<u>1,190,339</u>	<u>135,678</u>
Total current assets		<u>1,260,925</u>	<u>1,124,720</u>
Non-current assets			
Investment properties	6	<u>33,000,000</u>	<u>23,600,000</u>
Total non-current assets		<u>33,000,000</u>	<u>23,600,000</u>
Total assets		<u>34,260,925</u>	<u>24,724,720</u>
Liabilities			
Current liabilities			
Trade and other payables	7	943,667	279,245
Borrowings	8	<u>7,999,462</u>	<u>7,975,521</u>
Total current liabilities		<u>8,923,129</u>	<u>8,254,766</u>
Total liabilities		<u>8,923,129</u>	<u>8,254,766</u>
Net assets		<u>25,317,796</u>	<u>16,469,954</u>
Equity			
Unit capital	9	13,100,000	13,000,000
Retained earnings	10	<u>12,217,796</u>	<u>3,469,954</u>
Total equity		<u>25,317,796</u>	<u>16,469,954</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.4
Notes to the financial statements
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.4 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 8 October 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.4 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower
Suite 1, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental Income

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Interest

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

EG Core Plus Fund No.1 Ownership Trust No.4

Notes to the financial statements

For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

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 that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

(g) Investment property

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

Valuations

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

Disposals

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.4
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(j) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(l) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.4
Notes to the financial statements
For the year ended 30 June 2017

(m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 3. Revenue and other income

	2017	2016
	\$	\$
<i>Revenue</i>		
Rental revenue	2,714,375	2,539,661
Tenant recoveries	<u>60,550</u>	<u>63,062</u>
	<u>2,774,925</u>	<u>2,602,723</u>
<i>Other income</i>		
Interest revenue	<u>19,963</u>	<u>10,716</u>
	<u>19,963</u>	<u>10,716</u>

Note 4. Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank and on hand	<u>70,586</u>	<u>989,042</u>

Note 5. Trade and other receivables

	2017	2016
	\$	\$
Trade receivables	945,943	50,288
Other receivables	19,989	430
Prepayments	<u>224,407</u>	<u>84,960</u>
	<u>1,190,339</u>	<u>135,678</u>

EG Core Plus Fund No.1 Ownership Trust No.4
Notes to the financial statements
For the year ended 30 June 2017

Note 6. Non-current assets – Investment properties

	2017 \$	2016 \$
Investment properties – at fair value	<u>33,000,000</u>	<u>23,600,000</u>

(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial period are set out below

Opening balance	23,600,000	21,400,000
Additions	1,585,830	704,799
Revaluation increments	<u>7,814,170</u>	<u>1,495,201</u>
Closing fair value	<u>33,000,000</u>	<u>23,600,000</u>

Note 7. Trade and payables

	2017 \$	2016 \$
Trade payables	-	23,941
Other payables	<u>943,667</u>	<u>255,304</u>
	<u>943,667</u>	<u>279,245</u>

Note 8. Current liabilities – Borrowings

	2017 \$	2016 \$
Bank loans	<u>7,999,462</u>	<u>7,975,521</u>

Interest rate risk

The bank loans are currently bearing all-in variable interest rates of between 3.2% per annum. (2016: 3.6%)

Assets pledged as security

The bank loans are secured by first ranking mortgage over the Trust's investment property related to the borrowings. The fair value of the investment property secured is \$33,000,000 (2016: \$23,600,000).

Covenant conditions

The bank loans include covenant conditions that require the maintenance of certain financial ratios.

Financing arrangements

The Trust's bank loan facility limit at the reporting date was \$10,000,000 of which \$8,000,000 was utilised. Unrestricted access was available at the reporting date for the unused bank loan facility of \$2,000,000 (2016: \$2,000,000).

EG Core Plus Fund No.1 Ownership Trust No.4
Notes to the financial statements
For the year ended 30 June 2017

Note 9. Unit capital

	2017 Number	2017 \$	2016 Number	2016 \$
Ordinary units	<u>13,100,000</u>	<u>13,100,000</u>	<u>13,000,000</u>	<u>13,000,000</u>
<i>Movements in ordinary units</i>				
		No of units	Issue price	\$
Balance at 1 July 2016		13,000,000		13,000,000
Issue of units		100,000	\$1.00	100,000
Balance at 30 June 2017		<u>13,100,000</u>		<u>13,100,000</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00.

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 10. Retained earnings

Movements in Retained earnings during the financial period are as follows:

	2017 \$	2016 \$
Retained earnings at the beginning of the year/period	3,469,954	1,074,919
Profit after income tax expense for the year/period	9,747,842	3,161,620
Distribution to Holding Trust	<u>(1,000,000)</u>	<u>(766,585)</u>
Retained earnings at the end of the year/period	<u>12,217,796</u>	<u>3,469,954</u>

Note 11. Trust details

(a) The Trust

The Trust was officially established on 8 October 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 7 October 2094.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:
 Level 15
 20 Bond Street
 Sydney NSW 2000

EG Core Plus Fund No.1 Ownership Trust No.4
Notes to the financial statements
For the year ended 30 June 2017

Note 11. Trust details (continued)

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:
Governor Phillip Tower
Suite 1, Level 21,
1 Farrer Place
Sydney NSW 2000

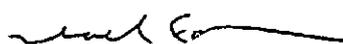
**EG Core Plus Fund No. 1 Ownership Trust No. 4
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

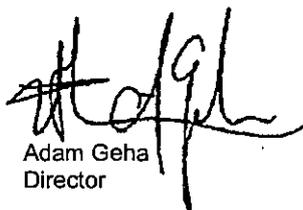
The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Ownership Trust No.5

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Ownership Trust No.5
30 June 2017

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EG Core Plus Fund No.1 Ownership Trust No.5
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	3	1,395,529	3,045,302
Other income	3	27,646	9,980
Property expenses		(472,850)	(1,183,649)
Administration expenses		(60,559)	(58,590)
Finance costs		(246,401)	(573,992)
Net fair value gain/(loss) on investment properties	6	<u>11,464,220</u>	<u>(7,200,428)</u>
Profit before income tax		12,107,585	8,439,479
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		12,107,585	8,439,479
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the unit holders		<u>12,107,585</u>	<u>8,439,479</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.5
Statement of financial position
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	510,582	743,380
Trade and other receivables	5	-	374,517
Total current assets		<u>510,582</u>	<u>1,117,897</u>
Non-current assets			
Investment properties	6	-	39,000,000
Total non-current assets		<u>-</u>	<u>39,000,000</u>
Total assets		<u>510,582</u>	<u>40,117,897</u>
Liabilities			
Current liabilities			
Trade and other payables	7	-	257,776
Borrowings	8	-	-
Total non-current liabilities		<u>-</u>	<u>257,776</u>
Non-current liabilities			
Trade and other payables	9	-	288,544
Borrowings	8	-	12,502,210
Total non-current liabilities		<u>-</u>	<u>12,790,754</u>
Total liabilities		<u>-</u>	<u>13,048,530</u>
Net assets		<u>510,582</u>	<u>27,069,367</u>
Equity			
Unit capital	10	510,582	19,500,000
Retained earnings	11	-	7,569,367
Total equity		<u>510,582</u>	<u>27,069,367</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.5
Notes to the financial statements
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.5 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 16 January 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.5 is a trust domiciled in Australia. Its principal place of business is:
Governor Philip Tower
Suite 1, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental Income

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Interest

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

EG Core Plus Fund No.1 Ownership Trust No.5
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

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 that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

(g) Investment property

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

Valuations

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

Disposals

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.5
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(j) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(l) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.5
Notes to the financial statements
For the year ended 30 June 2017

(m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 3. Revenue and other income

	2017	2016
	\$	\$
<i>Revenue</i>		
Rental revenue	1,277,852	2,811,013
Tenant recoveries	<u>117,677</u>	<u>234,290</u>
	<u>1,395,529</u>	<u>3,045,203</u>
<i>Other income</i>		
Interest revenue	<u>27,646</u>	<u>9,980</u>
	<u>27,646</u>	<u>9,980</u>

Note 4. Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank and on hand	<u>510,582</u>	<u>743,380</u>

Note 5. Trade and other receivables

	2017	2016
	\$	\$
Trade receivables	-	311,725
Other receivables	-	30,875
Prepayments	<u>-</u>	<u>31,917</u>
	<u>-</u>	<u>374,517</u>

EG Core Plus Fund No.1 Ownership Trust No.5
Notes to the financial statements
For the year ended 30 June 2017

Note 6. Non-current assets – Investment properties

	2017 \$	2016 \$
Investment properties – at fair value	<u>-</u>	<u>39,000,000</u>

(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial year are set out below

Opening balance	39,000,000	31,500,000
Additions	1,726,301	299,572
Revaluation increment	11,464,220	7,200,428
Disposal	(52,190,521)	-
Closing fair value	<u>-</u>	<u>39,000,000</u>

Note 7. Current - Trade and payables

	2017 \$	2016 \$
Other payables	<u>-</u>	<u>257,776</u>

Note 8. Current liabilities – Borrowings

	2017 \$	2016 \$
<i>Non-current</i> Bank loans	<u>-</u>	<u>12,502,210</u>

Interest rate risk

The bank loans were bearing all-in variable interest rates of 3.02% per annum (2016: 3.02%).

Assets pledged as security

The bank loans were secured by first ranking mortgage over the Trust's investment property related to the borrowings.

Covenant conditions

The bank loans include covenant conditions that require the maintenance of certain financial ratios.

Note 9. Non-current - Trade and payables

	2017 \$	2016 \$
Other payables	<u>-</u>	<u>288,544</u>

EG Core Plus Fund No.1 Ownership Trust No.5
Notes to the financial statements
For the year ended 30 June 2017

Note 10. Unit capital

	2017 Number	2017 \$	2016 Number	2016 \$
	<u>510,582</u>	<u>19,500,000</u>	<u>510,582</u>	<u>19,500,000</u>

Movements in ordinary units

	No of units	Issue price	\$
Balance at 1 July 2016	19,500,000		19,500,000
Issue of units	(18,989,418)	\$1.00	(18,989,418)
Balance at 30 June 2017	<u>510,582</u>		<u>510,582</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00.

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 11. Retained earnings

Movements in retained earnings during the financial year are as follows:

	2017 \$	2016 \$
Retained earnings/(accumulated losses) at the beginning of the year	7,569,367	(183,097)
Profit after income tax expense for the year	12,107,585	8,439,479
Distribution to Holding Trust	<u>(19,676,952)</u>	<u>(687,015)</u>
Retained earnings at the end of the year	<u>-</u>	<u>7,569,367</u>

EG Core Plus Fund No.1 Ownership Trust No.5
Notes to the financial statements
For the year ended 30 June 2017

Note 12. Trust details

(a) The Trust

The Trust was officially established on 16 January 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 15 January 2095.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:
Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:
Governor Phillip Tower
Suite 1, Level 21,
1 Farrer Place
Sydney NSW 2000

**EG Core Plus Fund No. 1 Ownership Trust No. 5
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Ownership Trust No. 6

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Ownership Trust No.6
30 June 2017

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EG Core Plus Fund No.1 Ownership Trust No.6
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	3	1,223,777	1,280,631
Other revenue	3	10,700	6,105
Property expenses		(235,636)	(84,094)
Administration expenses		(5,738)	(5,892)
Finance costs		(211,739)	(235,270)
Net fair value gain/(loss) on investment properties	6	<u>(468)</u>	<u>2,960,747</u>
Profit before income tax		780,896	3,922,227
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		780,896	3,922,227
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the unit holders		<u>780,896</u>	<u>3,922,227</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.6
Statement of financial position
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	1,040,459	541,656
Trade and other receivables	5	<u>187,139</u>	<u>13,731</u>
Total current assets		<u>1,227,598</u>	<u>555,387</u>
Non-current assets			
Investment properties	6	<u>16,000,000</u>	<u>16,000,000</u>
Total non-current assets		<u>16,000,000</u>	<u>16,000,000</u>
Total assets		<u>17,227,598</u>	<u>16,555,387</u>
Liabilities			
Current liabilities			
Trade and other payables	7	<u>184,268</u>	<u>139,017</u>
Total current liabilities		<u>184,268</u>	<u>139,017</u>
Non-current liabilities			
Borrowings	8	<u>6,324,947</u>	<u>6,324,947</u>
Total non-current liabilities		<u>6,324,947</u>	<u>6,325,947</u>
Total liabilities		<u>6,509,215</u>	<u>6,463,964</u>
Net assets		<u>10,718,383</u>	<u>10,091,423</u>
Equity			
Unit capital	9	7,400,000	7,400,000
Accumulated losses	10	<u>3,318,383</u>	<u>2,691,423</u>
Total equity		<u>10,718,383</u>	<u>10,091,423</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.6
Notes to the financial statements
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.6 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 25 March 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.6 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower
Suite 1, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental Income

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Interest

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

EG Core Plus Fund No.1 Ownership Trust No.6
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

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 that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

(g) Investment property

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

Valuations

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

Disposals

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.6
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(j) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(l) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.6
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 3. Revenue

	2017 \$	2016 \$
Rental revenue	1,010,000	1,218,513
Tenant recoveries	<u>213,777</u>	<u>62,119</u>
Total revenue	<u>1,223,777</u>	<u>1,280,632</u>
Interest revenue	<u>10,700</u>	<u>6,105</u>
Total other revenue	<u>10,700</u>	<u>6,105</u>

Note 4. Cash and cash equivalents

	2017 \$	2016 \$
Cash at bank and on hand	<u>1,040,459</u>	<u>541,656</u>

Note 5. Trade and other receivables

	2017 \$	2016 \$
Trade receivables	22,346	455
Other receivables	-	13
Prepayments	<u>164,793</u>	<u>13,263</u>
	<u>187,139</u>	<u>13,731</u>

EG Core Plus Fund No.1 Ownership Trust No.6
Notes to the financial statements
For the year ended 30 June 2017

Note 6. Non-current assets – Investment properties

	2017	2016
	\$	\$
Investment properties – at fair value	<u>16,000,000</u>	<u>16,000,000</u>

(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial period are set out below

Opening balance	16,000,000	13,000,000
Additions	468	39,253
Revaluation increment/(decrement)	<u>(468)</u>	<u>2,960,747</u>
Closing fair value	<u>16,000,000</u>	<u>16,000,000</u>

Note 7. Trade and payables

	2017	2016
	\$	\$
Other payables	<u>184,268</u>	<u>139,017</u>

Note 8. Current liabilities – Borrowings

	2017	2016
	\$	\$
<i>Non-Current</i>		
Bank loans	<u>6,324,947</u>	<u>6,324,947</u>

Interest rate risk

The bank loans are currently bearing all-in variable interest rates of 3.09% per annum (2016: 3.54%).

Assets pledged as security

The bank loans are secured by first ranking mortgage over the Trust's investment property related to the borrowings. The fair value of the investment property secured is \$16,000,000 (2016: \$16,000,000).

Covenant conditions

The bank loans include covenant conditions that require the maintenance of certain financial ratios.

Financing arrangements

The Trust's bank loan facility limit at the reporting date was \$6,500,000 of which \$6,370,000 was utilised. Unrestricted access was available at the reporting date for the unused bank loan facility of \$130,000 (2016: \$130,000).

EG Core Plus Fund No.1 Ownership Trust No.6
Notes to the financial statements
For the year ended 30 June 2017

Note 9. Unit capital

	2017 Number	2017 \$	2016 Number	2016 \$
	<u>7,400,000</u>	<u>7,400,000</u>	<u>7,400,000</u>	<u>7,400,000</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00.

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 10. Retained earnings

Movements in retained earnings during the financial year are as follows:

	2017 \$	2016 \$
Retained earnings/(accumulated losses) at the beginning of the year	2,691,423	(527,519)
Profit after income tax expense for the year	780,896	3,922,227
Distribution to Holding Trust	<u>(153,936)</u>	<u>(703,285)</u>
Retained earnings at the end of the year	<u>3,318,383</u>	<u>2,691,423</u>

Note 11. Trust details

(a) The Trust

The Trust was officially established on 25 March 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 24 March 2095.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:
Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:
Governor Phillip Tower
Suite 1, Level 21,
1 Farrer Place
Sydney NSW 2000

**EG Core Plus Fund No. 1 Ownership Trust No. 6
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.


Michael Easson
Director


Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Ownership Trust No. 7

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Ownership Trust No.7
30 June 2017

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EG Core Plus Fund No.1 Ownership Trust No.7
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue	3	4,925,441	2,477,867
Other revenue	3	19,223	6,504
Property expenses		(1,104,425)	(677,159)
Administration expenses		(27,298)	(8,366)
Finance costs		(857,488)	(526,227)
Net fair value gain on investment properties	6	<u>8,900,612</u>	<u>405,489</u>
Profit before income tax		11,856,065	1,678,108
Income tax expense		<u>-</u>	<u>-</u>
Profit after income tax for the year attributable to the unit holders		11,856,065	1,678,108
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the unit holders		<u>11,856,065</u>	<u>1,678,108</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.7
Statement of financial position
As at 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	2,039,704	1,128,069
Trade and other receivables	5	<u>470,751</u>	<u>157,391</u>
Total current assets		<u>2,510,455</u>	<u>1,285,460</u>
Non-current assets			
Investment properties	6	<u>58,500,000</u>	<u>49,000,000</u>
Total non-current assets		<u>58,500,000</u>	<u>49,000,000</u>
Total assets		<u>61,010,455</u>	<u>50,285,460</u>
Liabilities			
Current liabilities			
Trade and other payables	7	<u>390,892</u>	<u>284,041</u>
Total current liabilities		<u>390,892</u>	<u>284,041</u>
Non-current liabilities			
Trade and other payables	7	-	237,921
Borrowings	8	<u>21,093,850</u>	<u>21,093,850</u>
Total non-current liabilities		<u>21,093,850</u>	<u>21,231,771</u>
Total liabilities		<u>21,484,742</u>	<u>21,615,812</u>
Net assets		<u>39,525,713</u>	<u>28,669,648</u>
Equity			
Unit capital	9	27,056,000	27,056,000
Retained earnings	10	<u>12,469,713</u>	<u>1,613,648</u>
Total equity		<u>39,525,713</u>	<u>28,669,648</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.7
Notes to the financial statements
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.7 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 31 March 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.7 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower
Suite 1, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental Income

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Interest

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

EG Core Plus Fund No.1 Ownership Trust No.7
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

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 that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

(g) Investment property

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

Valuations

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

Disposals

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.7
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(j) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(l) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.7
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 3. Revenue

	2017 \$	2016 \$
Rental revenue	4,409,001	2,448,389
Tenant recoveries	516,440	29,478
Total revenue	<u>4,925,441</u>	<u>2,477,867</u>
Interest revenue	19,223	6,504
Other revenue	<u>19,223</u>	<u>6,504</u>

Note 4. Cash and cash equivalents

	2017 \$	2016 \$
Cash at bank and on hand	<u>2,039,704</u>	<u>1,128,069</u>

Note 5. Trade and other receivables

	2017 \$	2016 \$
Trade receivables	17,651	79,856
Other receivables	-	12
Prepayments	453,100	77,523
	<u>470,751</u>	<u>157,391</u>

EG Core Plus Fund No.1 Ownership Trust No.7
Notes to the financial statements
For the year ended 30 June 2017

Note 6. Non-current assets – Investment properties

	2017 \$	2016 \$
Investment properties – at fair value	<u>58,500,000</u>	<u>49,000,000</u>

(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial period are set out below

Opening balance	49,000,000	-
Additions	599,388	48,594,511
Revaluation increments	<u>8,900,612</u>	<u>405,489</u>
Closing fair value	<u>58,500,000</u>	<u>49,000,000</u>

Note 7. Trade and other payables

	2017 \$	2016 \$
<i>Current</i>		
Trade payables	21,708	7,480
Other payables	<u>369,184</u>	<u>276,561</u>
	<u>390,892</u>	<u>284,041</u>
<i>Non-current</i>		
Other payables	<u>-</u>	<u>237,921</u>

Note 8. Non-current liabilities – Borrowings

	2017 \$	2016 \$
Non-current		
Bank loans	<u>21,093,850</u>	<u>21,093,850</u>

Interest rate risk

The bank loans are currently bearing all-in variable interest rates of 3.04% per annum (2016: 3.49%).

Assets pledged as security

The bank loans are secured by first ranking mortgage over the Trust's investment property related to the borrowings. The fair value of the investment property secured is \$58,500,000 (2016: \$49,000,000).

Covenant conditions

The bank loans include covenant conditions that require the maintenance of certain financial ratios.

Financing arrangements

The Trust's bank loan facility limit at the reporting date was \$21,100,000 of which \$21,100,000 was utilised. Unrestricted access was available at the reporting date for the unused bank loan facility of \$nil.

EG Core Plus Fund No.1 Ownership Trust No.7
Notes to the financial statements
For the year ended 30 June 2017

Note 9. Unit capital

	2017	2017	2016	2016
	Number	\$	Number	\$
Ordinary units	<u>27,056,000</u>	<u>27,056,000</u>	<u>27,056,000</u>	<u>27,056,000</u>

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2017 is paid up to \$1.00.

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

Note 10. Retained earnings

Movements in retained earnings during the financial year are as follows:

	2017	2016
	\$	\$
Retained earnings at the beginning of the year	1,613,648	-
Profit after income tax expense for the year	11,856,065	1,678,108
Distributions to Holding Trust	<u>(1,000,000)</u>	<u>(64,460)</u>
Retained earnings at the end of the year	<u>12,469,713</u>	<u>1,613,648</u>

EG Core Plus Fund No.1 Ownership Trust No.7
Notes to the financial statements
For the year ended 30 June 2017

11. Trust details

(a) The Trust

The Trust was officially established on 31 March 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 24 March 2095.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:
Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:
Governor Phillip Tower
Suite 1, Level 21,
1 Farrer Place
Sydney NSW 2000

**EG Core Plus Fund No. 1 Ownership Trust No. 7
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

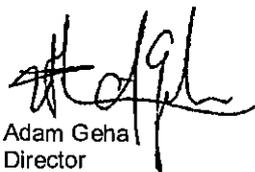
The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

EG Core Plus Fund No.1 Ownership Trust No. 8

**Annual Report -
For the year ended 30 June 2017**

EG Core Plus Fund No.1 Ownership Trust No.8
30 June 2017

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EG Core Plus Fund No.1 Ownership Trust No.8
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 \$	Period 12 November 2016 to 30 June 2016 \$
Revenue		-	
Expenses		-	
Profit before income tax		-	
Income tax expense		-	
Profit after income tax for the period attributable to the unit holders		-	
Other comprehensive income for the year/period, net of tax		-	
Total comprehensive income for the year/period attributable to the unit holders		-	

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.8
Statement of financial position
As at 30 June 2017

	Notes	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents		-	-
Trade and other receivables		-	-
Total current assets		<u>-</u>	<u>-</u>
Non-current assets			
Investment properties		-	-
Total non-current assets		<u>-</u>	<u>-</u>
Total assets		<u>-</u>	<u>-</u>
Liabilities			
Current liabilities			
Trade and other payables		-	-
Total current liabilities		<u>-</u>	<u>-</u>
Non-current liabilities			
Trade and other payables		-	-
Borrowings		-	-
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>-</u>	<u>-</u>
Net assets		<u>-</u>	<u>-</u>
Equity			
Unit capital		-	-
Retained earnings		-	-
Total equity		<u>-</u>	<u>-</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

EG Core Plus Fund No.1 Ownership Trust No.8
Notes to the financial statements
For the year ended 30 June 2017

Note 1. Corporate Information

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.8 (referred to hereafter as 'the Trust') for the year ended 30 June 2017. The Trust was established by Trust Deed dated 12 November 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.7 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower
Suite 1, Level 21
1 Farrer Place
Sydney NSW 2000

Note 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

(b) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Rental Income

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Interest

Interest income is recognised on a time proportion basis using the effective interest method.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

EG Core Plus Fund No.1 Ownership Trust No.8
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents

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 that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

(g) Investment property

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

Valuations

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

Disposals

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.8
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(i) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

(j) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(l) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

EG Core Plus Fund No.1 Ownership Trust No.8
Notes to the financial statements
For the year ended 30 June 2017

Note 2. Summary of significant accounting policies (continued)

(m) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

3. Trust details

(a) The Trust

The Trust was officially established on 12 November 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 11 November 2095.

(b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited.
The registered office and principal place of business of the Trustee Company is:
Level 15
20 Bond Street
Sydney NSW 2000

(c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:
Governor Phillip Tower
Suite 1, Level 21,
1 Farrer Place
Sydney NSW 2000

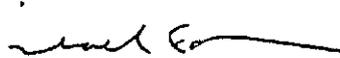
**EG Core Plus Fund No. 1 Ownership Trust No. 8
Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson
Director



Adam Geha
Director

Sydney
20 September 2017

IPG UNIT TRUST
SPECIAL PURPOSE FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

AMP Capital Investors Limited
33 Alfred Street,
Sydney, NSW 2000
ACN 001 777 591

IPG UNIT TRUST

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IPG UNIT TRUST

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	30 June 2017	30 June 2016
	\$	\$
INVESTMENT INCOME		
Dividends	938,979	1,162,306
Interest income	476,089	835,888
Net changes in the fair value of financial instruments measured at fair value through profit or loss	<u>759,020</u>	<u>3,752,208</u>
Total investment income/(loss)	<u>2,174,088</u>	<u>5,750,402</u>
EXPENSES		
Total expenses	<u>-</u>	<u>-</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS	2,174,088	5,750,402
Finance costs attributable to unitholders		
Distributions to unitholders	(1,415,125)	(1,998,248)
(Increase)/decrease in net assets attributable to unitholders	<u>(758,963)</u>	<u>(3,752,154)</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS	<u>-</u>	<u>-</u>
Other comprehensive income	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	<u>-</u>	<u>-</u>

IPG UNIT TRUST

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	30 June 2017 \$	30 June 2016 \$
ASSETS			
Cash and cash equivalents		417,962	1,578,521
Receivables	2	105	55
Financial assets measured at amortised cost			
Loans and advances		5,729,753	5,729,753
Financial assets measured at fair value through profit or loss			
Unlisted equity securities		<u>27,853,858</u>	<u>23,897,303</u>
TOTAL ASSETS		<u><u>34,001,678</u></u>	<u><u>31,205,632</u></u>
LIABILITIES			
Distributions payable		<u>418,041</u>	<u>1,578,492</u>
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>418,041</u>	<u>1,578,492</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u><u>33,583,637</u></u>	<u><u>29,627,140</u></u>

IPG UNIT TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	30 June 2017	30 June 2016
	\$	\$
Balance at the beginning of the financial year	29,627,140	25,874,986
Applications	<u>3,197,534</u>	<u>-</u>
	32,824,674	25,874,986
Increase/(decrease) in net assets attributable to unitholders	<u>758,963</u>	<u>3,752,154</u>
Balance at the end of the financial year	<u><u>33,583,637</u></u>	<u><u>29,627,140</u></u>

IPG UNIT TRUST

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

	Notes	30 June 2017 \$	30 June 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		938,979	1,162,306
Interest income received		<u>476,039</u>	<u>836,260</u>
Net cash inflow/(outflow) from operating activities	4(a)	1,415,018	1,998,566
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of financial instruments measured at fair value through profit or loss		<u>(3,197,535)</u>	<u>-</u>
Net cash inflow/(outflow) from investing activities		(3,197,535)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from applications by unitholders		3,197,534	-
Distributions paid		<u>(2,575,576)</u>	<u>(2,254,635)</u>
Net cash inflow/(outflow) from financing activities		621,958	(2,254,635)
Net increase/(decrease) in cash and cash equivalents held		(1,160,559)	(256,069)
Cash and cash equivalents at the beginning of the financial year		<u>1,578,521</u>	<u>1,834,590</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		<u>417,962</u>	<u>1,578,521</u>

IPG UNIT TRUST

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

(a) Trust Information

The IPG Unit Trust (the "Trust") is an unregistered unit trust. AMP Capital Investors Limited, the Trustee of the Trust, is incorporated and domiciled in Australia. The registered office of the Trustee is located at 33 Alfred Street, Sydney, NSW 2000.

The Investment Manager of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited.

The principal activity of the Trust during the financial year is the investment of unitholders' funds in accordance with the Trust Deed. There has been no significant change in the nature of this activity during the financial year.

(b) Basis of Preparation

This special purpose Financial Report has been prepared for distribution to the unitholders to fulfil the financial reporting requirements under the Trust Deed. In the opinion of the Trustee, the Trust is not deemed to be a "reporting entity" because there are no users dependent on a general purpose Financial Report.

The Financial Report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the Trustee to meet the needs of users of the Financial Report. The Financial Report has been prepared on an accrual basis of accounting including the historical cost convention except for financial assets measured at fair value through profit or loss and the going concern assumption.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Trust's assets and liabilities are held for the purpose of being traded or are expected to be realised within 12 months, except for net assets attributable to unitholders, for which given the nature of the Trust, a reasonable estimate cannot be made of the amount of the balances that are unlikely to be settled within 12 months.

(c) Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets measured at fair value through profit or loss have been classified as held for trading as they are part of a portfolio which is managed for short-term gains. Financial assets are initially recognised at fair value determined as the purchase cost of the financial asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

Unlisted equity securities

The fair value of unlisted equity securities is determined by the Investment Manager using the discounted cash flow methodology. This methodology has been approved by the Trustee.

(d) Loans and Advances

Loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and advances are initially recognised at fair value and are subsequently remeasured to amortised cost using the effective interest method, less any allowances for impairment. Amortised cost is determined by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. Ongoing reviews of asset values are conducted to assess for any indicators of impairment during the financial year. Where the carrying value exceeds the recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income.

(e) Significant Accounting Judgements, Estimates and Assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

IPG UNIT TRUST

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Significant Accounting Judgements, Estimates and Assumptions (continued)

Fair value measurement of investments in financial instruments

The majority of the Trust's investments are financial instruments held for trading and are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets is set out in Note 1(b).

Impairment of financial assets

The Trust assesses at each balance date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(f) Investment Income

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

Dividend income

Dividends from unlisted companies are recognised when the dividend is declared.

Interest income

Interest income earned on cash and cash equivalents is recognised on an accrual basis.

Net changes in the fair value of financial instruments measured at fair value through profit or loss

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

(g) Expenses

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

(h) Recognition and Derecognition of Financial Assets and Liabilities

Financial assets and financial liabilities are recognised at the date the Trust becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(i) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments which are readily convertible to cash on hand at the Trustee's option and which the Trustee uses in its day to day management of the Trust's cash requirements.

(j) Receivables

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified less any allowance for doubtful debts. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

(k) Net Assets Attributable to Unitholders

Net assets attributable to unitholders comprise units on issue and undistributed reserves. Net assets attributable to unitholders are classified as financial liabilities and not as equity because the Trustee has a contractual obligation to pay distributable income of the Trust to unitholders and units are redeemable at the unitholders' option (subject to the provisions of the Trust Deed). As there are no equityholders, total comprehensive income attributable to unitholders and equity for the Trust is nil. Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if unitholders exercised their right to redeem their units. The Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders.

IPG UNIT TRUST

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Taxation

Under current legislation, the Trust is not liable to pay income tax since, under the terms of the Trust Deed, the unitholders are presently entitled to the income of the Trust.

(m) Distributable Income

In accordance with the Trust Deed, the Trust fully distributes its distributable income to unitholders each tax year. Such distributions are determined by reference to the taxable income of the Trust. Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses arising from net changes in the fair value of financial assets and derivative financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

(n) Foreign Currency Transactions

(i) Functional and presentation currency

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The presentation currency of this Financial Report, and the functional currency of the Trust, is the Australian dollar.

(ii) Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated to Australian dollars using the exchange rate at the date when the fair value was determined.

(o) Terms and Conditions of Units on Issue

Issued and paid up units are initially recognised at the fair value of the consideration received by the Trust.

Each unit confers upon the unitholder an equal interest in the Trust (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Trust.

Unitholders have various rights under the Trust Deed, which, subject to certain terms and conditions, include the right to:

- have their units redeemed
- receive income distributions
- attend and vote at meetings of unitholders
- participate in the termination and winding up of the Trust.

Applications received for units in the Trust are recognised net of any transaction costs arising on the issue of units in the Trust; Redemptions from the Trust are recognised gross of any transaction costs payable after the cancellation of units redeemed. Unit exit prices are determined in accordance with the Trust Deed and are calculated on a forward pricing basis as the redemption price per unit less any estimated transaction costs.

(p) Goods and Services Tax ("GST")

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of Financial Position.

Cash flows are disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financial activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

IPG UNIT TRUST

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

	30 June 2017 \$	30 June 2016 \$
NOTE 2: RECEIVABLES		
Interest receivable	<u>105</u>	<u>55</u>
	<u>105</u>	<u>55</u>

	30 June 2017 Units	30 June 2016 Units
--	-----------------------	-----------------------

NOTE 3: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movement in the number of units on issue during the financial year was as follows:

Units on Issue

Opening balance	28,632,412	28,632,412
Applications	<u>3,146,467</u>	<u>-</u>
Closing balance	<u>31,778,879</u>	<u>28,632,412</u>

	30 June 2017 \$	30 June 2016 \$
NOTE 4: CASH AND CASH EQUIVALENTS		
(a) Reconciliation of net profit/(loss) attributable to unitholders before finance costs to net cash inflow/(outflow) from operating activities		
Net profit/(loss) attributable to unitholders before finance costs	2,174,088	5,750,402
Net changes in the fair value of financial instruments measured at fair value through profit or loss	(759,020)	(3,752,208)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	<u>(50)</u>	<u>372</u>
Net cash inflow/(outflow) from operating activities	<u>1,415,018</u>	<u>1,998,566</u>

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Trust had no commitments or contingencies at 30 June 2017 (30 June 2016: nil).

NOTE 6: EVENTS OCCURRING AFTER THE BALANCE DATE

Since 30 June 2017 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Trust.

NOTE 7: AUTHORISATION OF THE FINANCIAL REPORT

The Financial Report of the IPG Unit Trust for the financial year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 11 September 2017.

IPG UNIT TRUST

STATEMENT BY THE TRUSTEE

As stated in Note 1(b) to the Financial Statements, in the Trustee's opinion, the Trust is not a "reporting entity".

In accordance with a resolution of the Directors of AMP Capital Investors Limited, the Trustee, I state that in the opinion of the Directors of the Trustee:

- (a) The Financial Statements and notes are in accordance with the requirements of the Trust Deed, and:
 - (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) comply with Australian Accounting Standards, as set out in Note 1(b) to the Financial Statements.
- (b) There are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.



Director

11 September 2017, Sydney

LBC Unit Trust

Special Purpose Financial Report

30 June 2017

LBC Unit Trust

Trustee's Report

The directors of the Trustee Company, STC Funds Nominee Pty Ltd (the "Trustee"), present their report together with the special purpose financial report of LBC Unit Trust (the "Trust") for the year ended 30 June 2017.

Directors

The directors of the Trustee at any time during or since the end of the financial year are:

L Buck
J Livanas

Principal activities

The principal activity of the Trust from its inception on 25 May 2007 to 30 June 2017 was to be an investment trust.

There were no significant changes in the nature of the activities during the year.

Review and Results of operations

The net profit for the year was \$24,739,608 (2016: \$12,192,200).

Distributions

No distributions were made to unit holders during the year.

State of affairs

In the opinion of the Trustee there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

Events subsequent to balance date

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Trustee of the Trust, to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

Likely developments

In the opinion of the Trustee, information about likely developments in the operations of the Trust and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Trust.

LBC Unit Trust

Trustee's Report

Interest of the Trustee

There were no fees paid to the Trustee and its associates out of the Trust's property during the period.

The Trustee held no units in the Trust at year end.

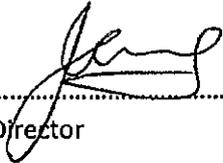
Indemnification and insurance of officers and auditors

No insurance premiums are paid out of the assets of the Trust for insurance cover provided to the Trustee or auditor of the Trust. If the Trustee acts in accordance with the constitution and the law, the Trustee is generally entitled to indemnity out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditor of the Trust is not indemnified out of the assets of the Trust.

Options

No options have been granted to any person in relation to any units in the Trust.

Signed in accordance with a resolution of the Trustee:


.....
Director

Dated at this 27th day of September 2017.

LBC Unit Trust
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue from operating activities	2	24,739,608	12,192,200
Expenses from operating activities	3	-	-
Profit for the year		24,739,608	12,192,200

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 10.

LBC Unit Trust
Statement of Changes in Equity
For the year ended 30 June 2017

	Units	Contributed unit capital \$	Retained earnings \$	Total \$
Balance 1 July 2016	82,106,535	122,521,021	40,977,737	163,498,758
Issue of new units	16,650,561	16,650,561	-	16,650,561
Profit attributable to Trust	-	-	24,739,608	24,739,608
Distributions paid to unit holders	-	-	-	-
Balance 30 June 2017	98,757,096	139,171,582	65,717,345	204,888,927

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 10.

LBC Unit Trust
Statement of Financial Position
As at 30 June 2017

	Note	2017 \$	2016 \$
Current assets			
Settlement sum		165	165
Total current assets		<u>165</u>	<u>165</u>
Non-current assets			
Investments	4	204,888,762	163,498,593
Total non-current assets		<u>204,888,762</u>	<u>163,498,593</u>
Total assets		<u>204,888,927</u>	<u>163,498,758</u>
Current liabilities			
Total current liabilities		<u>-</u>	<u>-</u>
Non-current liabilities			
Total non-current liabilities		<u>-</u>	<u>-</u>
Net assets attributable to unit holders		<u>204,888,927</u>	<u>163,498,758</u>
Net assets attributable to unit holders - Equity		<u>204,888,927</u>	<u>163,498,758</u>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 10.

LBC Unit Trust
Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities		-	-
Net cash provided by operating activities		-	-
Cash flows from investing activities			
Interest received		-	-
Purchase of units or shares		(16,650,561)	(19,620,251)
Net cash provided by investing activities		(16,650,561)	(19,620,251)
Cash flows from financing activities			
Distribution to unit holders		-	-
Issue of additional units		16,650,561	19,620,251
Net cash provided by financing activities		16,650,561	19,620,251
Net increase in cash held		-	-
Cash at the beginning of the year		-	-
Cash at the end of the year		-	-

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 10.

LBC Unit Trust

Notes to and forming part of the financial report

For the year ended 30 June 2017

Note 1 Statement of Significant Accounting Policies

The undertakings of the Trust are carried out by the Trustee, STC Funds Nominee Pty Ltd, on behalf of the Trust. The Trust was established for the purpose of acquiring shares in Challenger LBC Terminals Holding Company Ltd.

In the opinion of the Trustee the Trust is not a reporting entity. The financial report of the Trust has been drawn up as a special purpose financial report in order to fulfill the Trustee's duties under the Trust Deed to prepare financial statements.

The financial report has been prepared in accordance with the requirements of the following accounting standards adopted by the Australian Accounting Standards Board ("AASB").

AASB 101 Presentation of Financial Statements

AASB 107 Statement of Cash Flows

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

AASB 1048 Interpretation of Standards

No other accounting standards, accounting interpretations or other authoritative pronouncements of the AASB have been applied.

(a) Basis of preparation

The financial report is presented in Australian dollars.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preparation of a financial report in conformity with Australian Standards requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied.

LBC Unit Trust

Notes to and forming part of the financial report

For the year ended 30 June 2017

Note 1 Statement of Significant Accounting Policies (continued)

(b) Financial Instruments

Recognition

Financial Instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and with the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categories as held for trading unless they are designed as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. Gains and losses arising from changes in fair value are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Financial liabilities

Non-derivative financial liabilities are reflected at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

Fair value

Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transaction, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the trust assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

LBC Unit Trust
Notes to and forming part of the financial report
For the year ended 30 June 2017

	2017	2016
	\$	\$
Note 2 Revenue		
Movement in fair value of financial assets	24,739,608	12,192,200
	<u>24,739,608</u>	<u>12,192,200</u>
Note 3 Expenses		
Movement in fair value of financial assets	<u>-</u>	<u>-</u>
Note 4 Investments		
Non-current		
Unlisted investment – Challenger LBC Terminals Holding Company Ltd (at Custodian valuation)	<u>204,888,762</u>	<u>163,498,593</u>

Note 5 Related Parties

The names of each person holding the position of director of the Trustee Company, STC Funds Nominee Pty Ltd, during or since the end of the financial year are:

L Buck
J Livanas

No director has entered into a material contract with the Trust and there were no material contracts involving directors existing at the year end.

There were no contracts involving the Trustee Company and the Trust existing at year end.

LBC Unit Trust
Notes to and forming part of the financial report
For the year ended 30 June 2017

Note 6 **Commitments, contingent assets and contingent liabilities**

At 30 June 2017 there were no material commitments for capital expenditure, lease hire expenditure, nor any other type of expenditure not included in the accounts, nor were there any contingent liabilities or contingent assets.

Note 7 **Trust details**

The registered office of the Trust is:

c/- SAS Trustee Corporation
Level 16
83 Clarence Street
Sydney NSW 2000

LBC Unit Trust Statement by Trustee

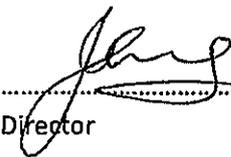
The directors of the Trustee Company, STC Funds Nominee Pty Ltd, declare that the Trust is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In the opinion of STC Funds Nominee Pty Ltd, the Trustee:

1. (a) the LBC Unit Trust has operated during the year ended 30 June 2017 in accordance with the provisions of the Trust Deed dated 25 May 2007; and

(b) the accompanying financial statements, consisting of the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and accompanying notes set out on pages 3 to 10 are properly drawn up in accordance with the basis of accounting described in Note 1 and the Trust Deed so as to present fairly the financial position of the Trust as at 30 June 2017 and the revenue and expenses of the Trust for the year ended 30 June 2017.
2. There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf of the STC Funds Nominee Pty Ltd:


.....
Director

Dated at this 27th day of September 2017.

Pisco STC Funds Unit Trust No.1

Special Purpose Financial Report – 30 June 2017

Pisco STC Funds Unit Trust No.1

Special Purpose Financial Report - 30 June 2017

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These financial statements cover Pisco STC Funds Unit Trust No. 1 as an individual entity.

The Trustee of Pisco STC Funds Unit Trust No. 1 is Fidante Partners Services Limited (ABN 44 119 605 373).

The Trustee's registered office is:
Level 2, 5 Martin Place
SYDNEY NSW 2000

Directors' report

The directors of the Trustee Company, Fidante Partners Services Limited (the "Trustee"), present their report together with the special purpose financial report of Pisco STC Funds Unit Trust No.1 (the "Trust") for the year ended 30 June 2017.

Directors

The following persons held office as directors of Fidante Partners Services Limited during the year or since the end of the year and up to the date of this report:

A M Collins (replaced B J O'Connor on 25/11/2016)
A M Murphy (replaced P D Rogan on 10/03/2017)
I Saines
A Tobin
R Willis

Principal activities

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust Deed, being a 29.2% interest in GasValpo Jersey Holding Company Limited (GasValpo).

There were no significant changes in the nature of the Trust's activities during the year.

Review and results of operations

The performance of the Trust, as represented by the results of its operations, was as follows:

	2017	2016
	\$	\$
Net operating profit/(loss)	9,244,674	1,627,953
Distributions paid and payable	6,281,614	1,539,003

There was no return of capital from GasValpo in 2017 (2016: nil) paid to its unitholder.

Significant changes in state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

Matters subsequent to the end of the financial year

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Trustee of the Trust, to affect significantly:

- the operations of the Trust in future financial years;
- the results of those operations in future financial years; and
- the state of affairs of the Trust in future financial years.

Likely developments

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Deed.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Services Limited. So long as the officers of Fidante Partners Services Limited act in accordance with the Trust Deed and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

Fees paid to and interests held in the Trust by the Trustee

There were no fees paid to the Trustee and its associates out of the Trust's property during the period.

The Trustee held no units in the Trust at year end.

Interests in the Trust

The Trust is a closed fund with 44,238,125 (2016: 44,238,125) units on issue.

Value of net assets	2017 \$	2016 \$
Value of Trust net assets at 30 June	61,425,722	58,462,662

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Options

No options have been granted to any person in relation to any units in the Trust.

Signed in accordance with a resolution of directors:


Director

Sydney
6 September 2017

Pisco STC Funds Unit Trust No.1
Statement of Comprehensive Income
For the year ended 30 June 2017

Statement of comprehensive income

	Note	2017 \$	2016 \$
Income			
Distributions received		6,281,614	1,534,881
Interest received		213	493
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	4,355,319	-
Foreign currency gain		-	1,498,431
Total income		10,637,146	3,033,805
Expenses			
Foreign currency loss		1,392,472	-
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	-	(1,405,852)
Total expenses		1,392,472	1,405,852
Profit/(loss) before finance costs		9,244,674	1,627,953
Finance costs attributable to unitholders			
Distributions to unitholders	4	(6,281,614)	(1,539,003)
(Increase)/decrease in net assets attributable to unitholders	6	(2,963,060)	(88,950)
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The statement of comprehensive income is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

Pisco STC Funds Unit Trust No.1
Statement of Financial Position
As at 30 June 2017

Statement of financial position

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents		1,084	1,979
Distributions receivable		1,869,157	-
Total current assets		<u>1,870,241</u>	<u>1,979</u>
Non-current assets			
Financial assets held at fair value through profit or loss	5	61,424,638	58,460,683
Total non-current assets		<u>61,424,638</u>	<u>58,460,683</u>
Total assets		<u>63,294,879</u>	<u>58,462,662</u>
Current liabilities			
Distributions payable	4	1,869,157	-
Return of capital payable		-	-
Total current liabilities		<u>1,869,157</u>	<u>-</u>
Non-current liabilities			
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>-</u>	<u>-</u>
Net assets attributable to unitholders - liability	6	<u>61,425,722</u>	<u>58,462,662</u>

The statement of financial position is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

Pisco STC Funds Unit Trust No.1
Statement of Changes in Net Assets Attributable to Unitholders
For the year ended 30 June 2017

Statement of changes in net assets attributable to unitholders

	2017 \$	2016 \$
At 1 July - opening	58,462,662	58,373,712
Change in net assets attributable to unitholders	2,963,060	88,950
Calls of capital	-	-
Return of capital	-	-
At 30 June - closing	61,425,722	58,462,662

Net assets attributable to unitholders represent the liability to unitholders in the event the unitholder exercises its option to redeem its units.

The statement of changes in net assets attributable to unitholders is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

Pisco STC Funds Unit Trust No.1
Statement of Cash Flows
For the year ended 30 June 2017

Statement of cash flows

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Interest received		213	493
Distributions received		4,412,457	1,534,881
Net cash provided by operating activities	8	4,412,670	1,535,374
Cash flows from investing activities			
Return of capital		-	-
Calls on capital		-	-
Net cash provided by investing activities		-	-
Cash flows from financing activities			
Capital return		-	-
Capital calls		-	-
Distributions to unitholders		(4,412,457)	(1,539,003)
Net cash provided by financing activities		(4,412,457)	(1,539,003)
Effects of exchange rate changes on cash and cash equivalents		(1,108)	4,102
Net increase/(decrease) in cash held		(895)	473
Cash at the beginning of the year		1,979	1,506
Cash at the end of the year		1,084	1,979

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

Note 1 General information

These special purpose financial statements cover Pisco STC Funds Unit Trust No. 1 ('the Trust') as an individual entity. The Trust is an Australian unregistered scheme. The Trust will terminate in accordance with the provisions of the Trust Deed.

SAS Trustee Corporation Pooled Fund is the only unitholder of the Trust. The Trust is a controlled entity of SAS Trustee Corporation Pooled Fund.

The nature of the operating and principal activities of the Trust are described in the directors' report. The Trust is a for profit entity.

Note 2 Summary of significant accounting policies

The directors have determined that the Trust is not a reporting entity and accordingly these financial statements are special purpose financial statements prepared for the sole purpose of distributing financial statements to members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with the requirements of the following accounting standards adopted by the Australian Accounting Standards Board ("AASB").

AASB 101 Presentation of Financial Statements

AASB 107 Statement of Cash Flows

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

Basis of preparation

The financial report is presented in Australian dollars.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preparation of a financial report in conformity with Australian Standards requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied.

Note 2 Summary of significant accounting policies (continued)

Financial Instruments

Classification

The Trust's investments are classified as at fair value through profit or loss. They comprise financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted investment vehicles.

Recognition/derecognition

Financial Instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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

Measurement

Financial assets and liabilities held at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and with the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categories as held for trading unless they are designed as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of discounted cash flow models and recent comparable market transactions, or any other valuation methodology that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow methodology is used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date. For other pricing models, inputs are based on market data at the end of the reporting period. Where valuations are used to determine the fair value, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range.

The fair value of the financial assets are measured net of disposal costs.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholder exercised their right to redeem units in the Trust.

Note 2 Summary of significant accounting policies (continued)

Cash and cash equivalents

For the purpose of 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment interests designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these interests represent the Trust's investment activity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

Financial liabilities

Non-derivative financial liabilities are reflected at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise.

Impairment

At each reporting date, the trust assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Impairment losses are recognised in the income statement.

Investment income

Distribution income is recognised on the ex-distribution date when the right to receive payment is established with any related foreign withholding tax recorded as an expense.

Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

Note 2 Summary of significant accounting policies (continued)

Distributions

In accordance with the Trust Deed, the Trust distributes income adjusted for amounts determined by the Trustee, to unitholders by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

Change in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

Receivables

Receivables may include amounts for distributions, and are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Payables

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

Foreign currency

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the reporting date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non-monetary items measured at fair value in a foreign currency shall be translated to Australian dollars using the exchange rates ruling at the date when the fair value was determined.

Use of estimates

The Trust holds financial assets which are determined based on estimates and assumptions of future events. Financial assets are fair valued every six months using valuation methodology as described in Note 5. Where valuation methodology (for example, discounted cash flow models) is used to determine fair values, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range. Models use observable data, to the extent practicable. Changes in assumptions could materially affect the reported fair value of financial assets

Note 2 Summary of significant accounting policies (continued)

Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Trust Deed, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

Note 3 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial instruments held at fair value through profit or loss:

	2017	2016
	\$	\$
Designated at fair value	4,355,319	(1,405,852)
Net gain/(loss) on financial instruments held at fair value through profit or loss	4,355,319	(1,405,852)

Note 4 Distributions to unitholders

The distributions for the year were as follow:

	2017	2016
	\$	\$
Distributions paid	4,412,457	1,539,003
Distributions payable	1,869,157	-
	6,281,614	1,539,003

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position.

Note 5 Financial assets held at fair value through profit or loss

	2017	2016
	\$	\$
Designated at fair value through profit or loss		
Unlisted investment – GasValpo	61,424,638	58,460,683
Total financial assets held at fair value through profit or loss	61,424,638	58,460,683

Note 5 Financial assets held at fair value through profit or loss (continued)

The carrying value presented above, and as recorded by the custodian, reflects the net fair market value of the investment in GasValpo, post-realisation costs of 2% (2016 net fair value: \$58,460,683). The fair value of the investment in GasValpo has been determined by an independent expert, using a discounted cash flow model. The market discount rate calculated and used at 30 June 2017 is 10.75% (2016: 11.25%).

The independent expert as at 30 June 2017 was PwC (2016: PwC).

Note 6 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year are set out below. As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

2017	Initial units	Contributed unit capital	Retained earnings	Total
	(\$)	(\$)	(\$)	(\$)
Balance 1 July 2016	107	18,188,712	40,273,843	58,462,662
Return of Capital		-	-	-
Calls on Capital		-	-	-
Increase/(decrease) in net assets attributable to unitholders		-	2,963,060	2,963,060
Balance 30 June 2017	107	18,188,712	43,236,903	61,425,722

Note 6 Net assets attributable to unitholders (continued)

2016	Initial units	Contributed unit capital	Retained earnings	Total
	(\$)	(\$)	(\$)	(\$)
Balance 1 July 2015	107	18,188,712	40,184,893	58,373,712
Return of Capital		-	-	-
Calls on Capital		-	-	-
Increase/(decrease) in net assets attributable to unitholders		-	88,950	88,950
Balance 30 June 2016	107	18,188,712	40,273,843	58,462,662

Capital risk management

The Trust considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The Trust receives distributions and pays distributions. All Trust expenses were paid by SAS Trustee on behalf of the Trust during the year.

Note 7 Related party transactions

The Trustee of Pisco STC Funds Unit Trust No. 1 is Fidante Partners Services Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

Key management personnel

Key management personnel includes persons who were directors of Fidante Partners Services Limited at any time during the financial year and up to the date of the report as follows:

A M Collins (replaced B J O'Connor on 25/11/2016)
A M Murphy (replaced P D Rogan on 10/03/2017)
I Saines
A Tobin
R Willis

Other key management personnel

The Trustee is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

Key management personnel compensation

No amount is paid by the Trust directly to the directors of the Trustee.

Note 7 Related party transactions (continued)

Key management personnel unitholdings

At 30 June 2017 no key management personnel held units in the Trust (2016: Nil).

No director has entered into a material contract with the Trust and there were no material contracts involving directors existing at the year end.

There were no contracts involving the Trustee Company and the Trust existing at year end.

Note 8 Reconciliation of profit to net cash inflow from operating activities

	2017	2016
	\$	\$
Net profit attributable to unitholders	9,244,674	1,627,953
Change in the fair value of financial assets	(4,355,319)	1,405,852
Foreign exchange (gains)/losses	1,392,472	(1,498,431)
Net change in other assets and liabilities	(1,869,157)	-
Net cash inflow from operating activities	4,412,670	1,535,374

Note 9 Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2017 or on the results and cash flows of the Trust for the year ended on that date.

Note 10 Commitments, contingent assets and contingent liabilities

At 30 June 2017 there were no material commitments for capital expenditure, lease hire expenditure, nor any other type of expenditure not included in the accounts, nor were there any contingent liabilities or contingent assets.

Note 11 Trust details

The registered office of the Trust is:

C/- Fidante Partners Services Limited
Level 2
5 Martin Place
Sydney NSW 2000

Directors' declaration

In accordance with the resolution of the directors of Fidante Partners Services Limited, I state that:

In the opinion of the directors:

- (a) the Trust is not a reporting entity as defined in the Australian Accounting Standards;
- (b) the financial statements and notes set out on pages 4 to 15:
 - (i) give a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
 - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2 to the financial statements; and
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board of Fidante Partners Services Limited


Director

Sydney
6 September 2017

Pisco STC Funds Unit Trust No.2

Special Purpose Financial Report – 30 June 2017

Pisco STC Funds Unit Trust No.2

Special Purpose Financial Report - 30 June 2017

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Directors' declaration	16

These financial statements cover Pisco STC Funds Unit Trust No.2 as an individual entity.

The Trustee of Pisco STC Funds Unit Trust No.2 is Fidante Partners Services Limited (ABN 44 119 605 373).

The Trustee's registered office is:
Level 2, 5 Martin Place
SYDNEY NSW 2000

Directors' Report

The directors of the Trustee Company, Fidante Partners Services Limited (the "Trustee"), present their report together with the special purpose financial report of Pisco STC Funds Unit Trust No.2 (the "Trust") for the year ended 30 June 2017.

Directors

The following persons held office as directors of Fidante Partners Services Limited during the year or since the end of the year and up to the date of this report:

A M Collins (replaced B J O'Connor on 25/11/2016)
A M Murphy (replaced P D Rogan on 10/03/2017)
I Saines
A Tobin
R Willis

Principal activities

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust Deed, being a 13.9% interest in the Challenger Limited and Mitsui Emerging Markets Infrastructure Fund (EMIF).

There were no significant changes in the nature of the Trust's activities during the year.

Review and results of operations

The performance of the Trust, as represented by the results of its operations, was as follows:

	2017	2016
	\$	\$
Net operating profit/(loss)	2,212,854	1,295,394
Distributions paid and payable	3,097,945	1,670,150

There was a return of capital from EMIF in 2017 of \$336,257 (2016: nil) paid to its unitholder. There were capital calls of \$359,577 to EMIF in 2017 (2016: \$401,813).

Significant changes in state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

Matters subsequent to the end of the financial year

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Trustee of the Trust, to affect significantly:

- the operations of the Trust in future financial years;
- the results of those operations in future financial years; and
- the state of affairs of the Trust in future financial years.

Likely developments

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Deed.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Services Limited. So long as the officers of Fidante Partners Services Limited act in accordance with the Trust Deed and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

Fees paid to and interests held in the Trust by the Trustee

There were no fees paid to the Trustee and its associates out of the Trust's property during the period.

The Trustee held no units in the Trust at year end.

Interests in the Trust

The Trust is a closed fund with 24,126,039 (2016: 24,126,039) units on issue:

Value of net assets	2017 \$	2016 \$
Value of Trust net assets at 30 June	23,610,782	24,472,553

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

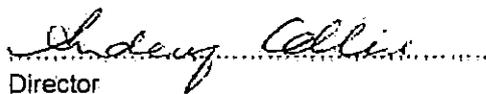
Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Options

No options have been granted to any person in relation to any units in the Trust.

Signed in accordance with a resolution of directors:


Director

Sydney
6 September 2017

Pisco STC Funds Unit Trust No.2
Statement of Comprehensive Income
For the year ended 30 June 2017

Statement of comprehensive income

	Note	2017 \$	2016 \$
Income			
Distribution received		2,972,153	2,073,151
Interest received		156	160
Management fee rebate		263,476	263,250
Foreign currency gain		-	80,038
Total income		3,235,785	2,416,599
Expenses			
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	(1,022,931)	(1,121,205)
Total expenses		1,022,931	1,121,205
Profit/(loss) before finance costs		2,212,854	1,295,394
Finance costs attributable to unitholders			
Distributions to unitholders	4	(3,097,945)	(1,670,150)
(increase)/decrease in net assets attributable to unitholders	6	885,091	374,756
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The statement of comprehensive income is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

Pisco STC Funds Unit Trust No.2
Statement of Financial Position
As at 30 June 2017

Statement of financial position

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents		140,806	131,792
Management fee rebate receivable		137,684	-
Total current assets		<u>278,490</u>	<u>131,792</u>
Non-current assets			
Financial assets held at fair value through profit or loss	5	23,332,292	24,340,761
Total non-current assets		<u>23,332,292</u>	<u>24,340,761</u>
Total assets		<u><u>23,610,782</u></u>	<u><u>24,472,553</u></u>
Current liabilities			
Total current liabilities		-	-
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities (excluding net assets attributable to unitholders)		-	-
Net assets attributable to unitholders - liability	6	<u><u>23,610,782</u></u>	<u><u>24,472,553</u></u>

The statement of financial position is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

Pisco STC Funds Unit Trust No.2
Statement of Changes in Net Assets Attributable to Unitholders
For the year ended 30 June 2017

Statement of changes net assets attributable to unitholders

	2017	2016
	\$	\$
At 1 July - opening	24,472,553	24,445,496
Change in net assets attributable to unitholders	(885,091)	(374,756)
Calls of capital	359,577	401,813
Return of capital	(336,257)	-
At 30 June - closing	23,610,782	24,472,553

The statement of changes in net assets attributable to unitholders is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

Pisco STC Funds Unit Trust No.2
Statement of Cash Flows
For the year ended 30 June 2017

Statement of cash flows

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Dividends received		2,972,153	2,073,151
Interest received		156	160
Management fee rebate		125,792	263,250
Net cash provided by operating activities	9	3,098,101	2,336,561
Cash flows by investing activities			
Calls on capital		(359,577)	(401,814)
Purchase of additional units		-	-
Return of capital		336,257	-
Net cash provided by investing activities		(23,320)	(401,814)
Cash flows from financing activities			
Distributions to unitholders		(3,097,945)	(1,670,150)
Capital calls		359,577	401,814
Capital repayment to unitholders		(336,257)	-
Net cash provided by financing activities		(3,074,625)	(1,268,336)
Effects of exchange rate changes on cash and cash equivalents		8,858	(535,612)
Net increase/(decrease) in cash held		9,014	130,799
Cash at the beginning of the year		131,792	993
Cash at the end of the year		140,806	131,792

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

Note 1 General information

These special purpose financial statements cover Pisco STC Funds Unit Trust No.2 ('the Trust') as an individual entity. The Trust is an Australian unregistered scheme. The Trust will terminate in accordance with the provisions of the Trust Deed.

SAS Trustee Corporation Pooled Fund is the only unitholder of the Trust. The Trust is a controlled entity of SAS Trustee Corporation Pooled Fund.

The nature of the operating and principal activities of the Trust are described in the directors' report. The Trust is a for profit entity.

Note 2 Summary of significant accounting policies

The directors have determined that the Trust is not a reporting entity and accordingly these financial statements are special purpose financial statements prepared for the sole purpose of distributing financial statements to members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with the requirements of the following accounting standards adopted by the Australian Accounting Standards Board ("AASB").

AASB 101 Presentation of Financial Statements

AASB 107 Statement of Cash Flows

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

Basis of preparation

The financial report is presented in Australian dollars.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preparation of a financial report in conformity with Australian Standards requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied.

Note 2 Summary of significant accounting policies (continued)

Financial Instruments

Classification

The Trust's investments are classified as at fair value through profit or loss. They comprise financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted investment vehicles.

Recognition/derecognition

Financial Instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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

Measurement

Financial assets and liabilities held at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and with the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categories as held for trading unless they are designed as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of discounted cash flow models and recent comparable market transactions, or any other valuation methodology that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow methodology is used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date. For other pricing models, inputs are based on market data at the end of the reporting period. Where valuations are used to determine the fair value, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range.

The fair value of the financial assets are measured net of disposal costs.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholder exercised their right to redeem units in the Trust.

Note 2 Summary of significant accounting policies (continued)

Cash and cash equivalents

For the purpose of 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment interests designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these interests represent the Trust's investment activity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

Financial liabilities

Non-derivative financial liabilities are reflected at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise.

Impairment

At each reporting date, the trust assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Investment income

Dividend income is recognised on the ex-dividend date when the right to receive payment is established with any related foreign withholding tax recorded as an expense.

Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

Note 2 Summary of significant accounting policies (continued)

Distributions

In accordance with the Trust Deed, the Trust distributes income adjusted for amounts determined by the Trustee, to unitholders by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

Change in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

Receivables

Receivables may include amounts for dividends, and are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Payables

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Trust Deed.

Foreign currency

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the reporting date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non-monetary items measured at fair value in a foreign currency shall be translated to Australian dollars using the exchange rates ruling at the date when the fair value was determined.

Use of estimates

The Trust holds financial assets which are determined based on estimates and assumptions of future events. Financial assets are fair valued every six months using valuation methodology as described in Note 5. Where valuation methodology (for example, discounted cash flow models) is used to determine fair values, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range. Models use observable data, to the extent practicable. Changes in assumptions could materially affect the reported fair value of financial assets

Note 2 Summary of significant accounting policies (continued)

Terms and conditions on units

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Trust Deed, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

Note 3 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial instruments held at fair value through profit or loss:

	2017 \$	2016 \$
Designated at fair value	(1,022,931)	(1,121,205)
Net gain/(loss) on financial instruments held at fair value through profit or loss	(1,022,931)	(1,121,205)

Note 4 Distributions to unitholders

The distributions for the year were as follows:

	2017 \$	2016 \$
Distributions paid	3,097,945	1,670,150

Note 5 Financial assets held at fair value through profit or loss

	2017 \$	2016 \$
Designated at fair value through profit or loss		
Unlisted investment – EMIF	23,332,292	24,340,761
Total financial assets held at fair value through profit or loss	23,332,292	24,340,761

The carrying value presented above, and as recorded by the custodian, reflects the net fair market value of the investment in EMIF, post realisation costs.

The fair value has been determined using the Manager's valuation of EMIF's underlying assets.

Note 6 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year are set out below. As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

2017	Initial units	Contributed unit capital	Retained earnings	Total
	(\$)	(\$)	(\$)	(\$)
Balance 1 July 2016	106	24,023,838	448,609	24,472,553
Return of capital	-	(336,257)	-	(336,257)
Calls on capital	-	359,577	-	359,577
Increase/(decrease) in net assets attributable to unitholders	-	-	(885,091)	(885,091)
Balance 30 June 2017	106	24,047,158	(436,482)	23,610,782
2016	Initial units	Contributed unit capital	Retained earnings	Total
	(\$)	(\$)	(\$)	(\$)
Balance 1 July 2015	106	23,622,025	823,365	24,445,496
Return of capital	-	-	-	-
Calls on capital	-	401,813	-	401,813
Increase/(decrease) in net assets attributable to unitholders	-	-	(374,756)	(374,756)
Balance 30 June 2016	106	24,023,838	448,609	24,472,553

Capital risk management

The Trust considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The Trust receives dividends and pays distributions. All Trust expenses were paid by SAS Trustee on behalf of the Trust during the year.

Note 7 Capital commitments

The total capital commitments to EMIF by the Trust as at 30 June 2017 are US\$38.0m (2016: US\$38.0m), of which US\$19.1m is unpaid as at 30 June 2017 (2016: US\$19.1m).

Note 8 Related party transactions

The Trustee of Pisco STC Funds Unit Trust No.2 is Fidante Partners Services Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

Key management personnel

Key management personnel includes persons who were directors of Fidante Partners Services Limited at any time during the financial year and up to the date of the report as follows:

A M Collins (replaced B J O'Connor on 25/11/2016)
A M Murphy (replaced P D Rogan on 10/03/2017)
I Saines
A Tobin
R Willis

Other key management personnel

The Trustee is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

Key management personnel compensation

No amount is paid by the Trust directly to the directors of the Trustee.

Key management personnel unitholdings

At 30 June 2017 no key management personnel held units in the Trust (2016: Nil).

No director has entered into a material contract with the Trust and there were no material contracts involving directors existing at the year end.

There were no contracts involving the Trustee Company and the Trust existing at year end.

Note 9 Reconciliation of profit to net cash inflow from operating activities

	2017 \$	2016 \$
Net profit attributable to unitholders	2,212,854	1,295,394
Change in the fair value of financial assets	451,278	1,121,205
Foreign exchange (gains)/losses	571,653	(80,038)
Net change in other assets	(137,684)	-
Net cash inflow from operating activities	3,098,101	2,336,561

Note 10 Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2017 or on the results and cash flows of the Trust for the year ended on that date.

Note 11 Commitments, contingent assets and contingent liabilities

At 30 June 2017 there were no material commitments for capital expenditure, lease hire expenditure, nor any other type of expenditure not included in the accounts, nor were there any contingent liabilities or contingent assets.

Note 12 Trust details

The registered office of the Trust is:

C/- Fidante Partners Services Limited
Level 2,
5 Martin Place
Sydney NSW 2000

Directors' declaration

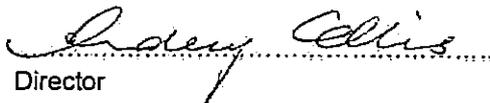
In accordance with the resolution of the directors of Fidante Partners Services Limited, I state that:

In the opinion of the directors:

- (a) the Trust is not a reporting entity as defined in the Australian Accounting Standards;
- (b) the financial statements and notes set out on pages 4 to 15:
 - (i) give a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
 - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2 to the financial statements; and
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board of Fidante Partners Services Limited


Director

Sydney
6 September 2017

Project Cricket State Super Unit Trust

ABN 29 239 066 746

Financial Statements

for the year ended 30 June 2017

Project Cricket State Super Unit Trust
Statement of Comprehensive Income
For the year ended 30 June 2017

Statement of Comprehensive Income			
	Notes	2017 \$'000	2016 \$'000
Income			
Interest income	3	899	930
Dividend income	4	6,177	2,862
Distribution income		-	5
Net gain/(loss) - securities	5	12,630	17,938
Total income/(loss)		<u>19,706</u>	<u>21,735</u>
Expenses			
Tax fees		4	(4)
Operating profit/(loss) before finance costs attributable to unitholders		<u>19,702</u>	<u>21,739</u>
Finance costs attributable to unitholders			
Distributions to unitholders	6	(7,072)	(3,709)
(Increase)/decrease in net assets attributable to unitholders		<u>(12,630)</u>	<u>(18,030)</u>
Total finance costs attributable to unitholders		<u>(19,702)</u>	<u>(21,739)</u>
Profit for the year		<u>-</u>	<u>-</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

Project Cricket State Super Unit Trust
Statement of Financial Position
As at 30 June 2017

Statement of Financial Position

	Notes	2017 \$'000	2016 \$'000
Assets			
Cash and cash equivalents	7(b)	3,521	6,260
Receivables	8	220	220
Securities	9	188,966	176,336
Total assets		<u>192,707</u>	<u>182,816</u>
Liabilities			
Payables	10	3,851	6,590
Total liabilities (excluding net assets attributable to unitholders)		<u>3,851</u>	<u>6,590</u>
Net assets attributable to unitholders - liability		<u>188,856</u>	<u>176,226</u>
Represented by:			
Issued units	11(a)	279,517	279,517
Undistributed profit/(loss) attributable to unitholders	11(c)	(90,661)	(103,291)
Total unitholders' interests		<u>188,856</u>	<u>176,226</u>

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

**Project Cricket State Super Unit Trust
Statement of Changes in Equity
For the year ended 30 June 2017**

Statement of Changes in Equity

In accordance with AASB 132 *Financial Instruments: Disclosure and Presentation*, unitholders' funds are classified as a liability and accordingly the Trust has no equity for financial statement purposes.

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

Project Cricket State Super Unit Trust
Statement of Cash Flows
For the year ended 30 June 2017

Statement of Cash Flows

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Dividends received		6,177	2,862
Interest received		900	930
Distributions received		-	5
Net cash inflow/(outflow) from operating activities	7(a)	<u>7,077</u>	<u>3,797</u>
Cash flows from financing activities			
Distributions paid		<u>(9,816)</u>	-
Net cash inflow/(outflow) from financing activities		<u>(9,816)</u>	-
Net increase/(decrease) in cash and cash equivalents		(2,739)	3,797
Cash and cash equivalents at the beginning of the financial year		<u>6,260</u>	<u>2,483</u>
Cash and cash equivalents at the end of the year	7(b)	<u>3,521</u>	<u>6,260</u>

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

1 General information

These financial statements cover Project Cricket State Super Unit Trust ("the Trust") as an individual entity. The Trust was established in Australia under a Trust Deed dated 19 October 2007 (as amended).

The Trustee of the Trust is STC Funds Nominee Pty Ltd (the "Trustee").

The registered office of the Trustee is located at Level 16, 83 Clarence Street, Sydney, NSW 2000.

The principal activity of the Trust during the year was to invest in Queensland Airports Limited and QAL International Holdings Trust. There was no change in the principal activity of the Trust during the year.

As at 30 June 2017, the Trust had nil employees (2016 - nil employees).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all reporting periods, unless otherwise stated.

(a) Basis of preparation

In the opinion of the directors of the Trustee, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the sole purpose of complying with the Trust Deed requirements to prepare and distribute financial statements to the unitholders and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the unitholders.

The financial statements have been prepared in accordance with the basis of accounting and disclosure requirements specified by Australian Accounting Standards (including interpretations), except the disclosure requirements of the pronouncements listed below:

AASB 7 Financial Instruments: Disclosures
AASB 12 Disclosure of Interests in Other Entities
AASB 13 Fair Value Measurement
AASB 124 Related Party Disclosures
AASB 132 Financial Instruments: Presentation

The financial statements have been prepared on a historical cost basis, except where otherwise stated.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current.

The functional and presentation currency of the Trust is Australian dollars.

The financial statements of the Trust for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors of the Trustee. The directors of the Trustee have the power to amend and reissue the financial statements.

New and amended 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 2016 that have a material impact on the Trust.

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Trust. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The final version of the standard highlights the new hedging rules, measurement of debt instruments and impairment losses. The standard is not applicable until 1 January 2018 but is available for early adoption.

The Trustee will apply the new standard from 1 July 2018. The Trustee is yet to fully assess the impact of applying the new standard.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective 1 January 2018).

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards.

The Trust's main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of the new revenue recognition rules is not expected to have a significant impact on the Trust's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Trust in the current or future reporting periods and on foreseeable future transactions.

(c) Significant accounting estimates, judgements and assumptions

In applying the Trust's accounting policies management continually evaluates estimates, judgements and assumptions based on experience and other factors including expectations of future events that may have an impact on the entity. All estimates, judgements and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the estimates, judgements and assumptions.

Significant estimates, judgements and assumptions are outlined below:

Valuation of unlisted securities

The fair value of unlisted securities held as at 30 June 2017 was \$188,966,000 (2016 - \$176,336,000).

The fair value of unlisted securities were determined by an appropriately qualified independent valuer, Ernst & Young (EY) (2016 - KPMG), by projecting future cash flows and then discounting these cash flows back to their present value using a post tax, risk adjusted discount rate.

Further information relating to unlisted securities is provided in Note 2(f).

(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, and bank overdrafts. Bank overdrafts are shown within borrowings in the Statement of Financial Position.

(e) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables may include interest and trust distributions. Interest and trust distributions are accrued in accordance with the policy set out in Note 2(j).

2 Summary of significant accounting policies (continued)

(e) Receivables (continued)

All receivables, unless otherwise stated, are non-interest bearing, unsecured and generally received within 30 days of being recorded as receivables.

(f) Securities

Securities are recorded at fair value through profit or loss upon initial recognition. Costs incidental to the acquisition of securities are recognised in the profit or loss when incurred.

Purchases and sales of securities that require delivery within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Trust commits to purchase or sell the securities.

Unlisted securities

Unlisted securities comprise ordinary shares and shareholder loans in an unlisted company; and ordinary units in an unregistered unit trust.

After initial recognition, unlisted securities are measured at fair value as they are managed and their performance evaluated on a fair value basis in accordance with the Trust's investment strategy.

The fair value of unlisted securities is determined by appropriately qualified independent valuer, EY (2016 - KPMG), primarily by reviewing the future cash flows projected by each asset's management team and then discounting those cash flows back to their present value using a post tax, risk adjusted discount rate. The independent valuation is set to be the fair value amount for which the assets could be exchanged, or liabilities settled, between knowledgeable willing parties in an arm's length transaction. The fair market value of the investments does not assume that the assets are actually sold and as such if they were to be realised then there may be potential capital gains tax implications for the Trust or unitholder depending on the structure of any disposal. Discount rates used are developed on an individual unlisted security basis as determined by the independent valuer. EY calculates the relevant discount rate applied to the cash flows of each asset using the Capital Asset Pricing Model method, whereby a premium is added to the risk free rate. The premium takes into account the risk of comparable companies and also incorporates firm specific risk. EY use their professional judgment in determining the assumed risk free rate for each relevant country with reference made to appropriate historical and spot rates in the relevant location. The Trustee has adopted the EY valuations as at 30 June 2017.

Unrealised gains or losses on unlisted equity securities are recognised through profit or loss and represent:

- Movements in the fair value of unlisted equity securities which are held as at the end of the reporting period.

Unrealised gains or losses on unlisted equity securities which are held as at the end of the reporting period calculated as the difference between the fair value at the end of current reporting period end and the fair value at the end of previous reporting period or the date the unlisted equity securities are acquired.
- Reversal of any life to date unrealised gains or losses as at the previous reporting period in connection with any unlisted equity securities that have been sold, restructured, settled or terminated in the current reporting period.

Realised gains or losses on unlisted equity securities are recognised through profit or loss upon the sale, restructure, settlement or termination of unlisted equity securities and are calculated as the difference between the settlement amount and the fair value upon initial recognition.

Futher information relating to unlisted securities is provided in Note 9.

(g) Payables

Payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

(g) Payables (continued)

Payables include liabilities and accrued expenses owing by the Trust which are unpaid at the end of the reporting period. The distribution amount payable to unitholders as at the reporting date is recognised when unitholders are presently entitled to the dividend income under the Trust Deed.

All payables, unless otherwise stated, are non-interest bearing, unsecured and generally paid within 30 day terms.

(h) Financial instruments

Debt and equity instruments issued by the Trust are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. In accordance with AASB 132 *Financial Instruments: Presentation* unitholders interests are defined as "puttable instruments" and therefore classified as liabilities and disclosed in the Statement of Financial Position as net assets attributable to unitholders. Any transaction costs arising on the issue of such financial instruments are recognised as a reduction of the proceeds received.

(i) Net assets attributable to unitholders

Net assets attributable to unitholders comprise the residual interest in the assets of the Trust after deducting its liabilities. It is represented by issued units and undistributed profit/(loss) attributable to unitholders.

As units issued by the Trust are classified as financial liabilities, any amounts paid or payable as well as net asset movements attributable to unitholders are recorded as an expense and presented in the Statement of Comprehensive Income as 'finance costs attributable to unitholders'.

(j) Income and expense recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the income can be reliably measured.

Expenses are recognised in the Statement of Comprehensive Income when the Trust has a present obligation (legal or constructive) as a result of a past event that can be reliably measured and where the expenses do not produce future economic benefits that qualify for recognition in the Statement of Financial Position.

The following specific recognition criteria must also be met before income and expenses are recognised:

Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend and distribution income

Dividend and distribution income is recognised when there is control over the right to receive the dividend or distribution payment.

Trustee fees

Trustee fees are recognised as an expense when incurred.

(k) Distributions

The Trust Deed requires that the Trust distributes to each unitholder an amount representing the distributable income entitlement of each unitholder in respect of a distribution period. Distributable income means either the taxable income of the Trust or the net accounting income of the Trust as determined by the Manager. Taxable income is fully distributed to unitholders.

Where distribution income is determined by reference to the taxable income of the Trust, distributable income includes capital gains arising from the disposal of securities. Unrealised net gains or losses on securities are transferred to the net assets attributable to unitholders and are not distributable and assessable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

2 Summary of significant accounting policies (continued)

(l) Income tax

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

(m) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Reduced income tax credits recoverable by the Trust from the Australian Taxation Office (ATO) are recognised as receivables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

(n) Rounding of amounts

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

3 Interest income

	2017 \$'000	2016 \$'000
Cash and cash equivalents	18	46
Unlisted securities	881	884
Total interest income	<u>899</u>	<u>930</u>

4 Dividend income

	2017 \$'000	2016 \$'000
Unlisted securities	6,177	2,862
Total dividend income	<u>6,177</u>	<u>2,862</u>

5 Net gain/(loss) - securities

	2017 \$'000	2016 \$'000
Net gain/(loss) - unlisted securities		
Net gain/(loss) - unrealised	12,630	17,938
Total net gain/(loss) - securities	<u>12,630</u>	<u>17,938</u>

6 Distributions to unitholders

The distributions for the year were as follows:

	2017 \$'000	2016 \$'000
Distributions to unitholders	7,072	3,709
Total distributions to unitholders	<u>7,072</u>	<u>3,709</u>

During the year ended 30 June 2017, the following distributions were declared:

- an interim distribution of \$3,226,000 (\$22.4363 per unit) was declared at 31 March 2017 and paid on 13 April 2017; and
- a final distribution of \$3,846,000 (\$26.7482 per unit) was declared at 30 June 2017. A partial payment of \$3,500,000 (\$24.3419 per unit) was paid on 17 July 2017.

During the year ended 30 June 2016, the following distribution was declared:

- a final distribution of \$3,709,000 (\$25.7962 per unit) was declared at 30 June 2016. A partial payment of \$3,384,000 (\$23.5355 per unit) was paid on 21 July 2016. A final payment of \$325,000 (\$2.2607 per unit) was paid on 10 March 2017.

7 Cash and cash equivalents

(a) Reconciliation of operating profit/(loss) before finance costs attributable to unitholders to net cash inflow/(outflow) from operating activities

	2017 \$'000	2016 \$'000
Operating profit/(loss) before finance costs attributable to unitholders	<u>19,702</u>	<u>21,739</u>
Adjustments for non-cash and non-operating items		
Net (gain)/loss - securities	(12,630)	(17,938)
Change in operating related assets and liabilities		
Increase/(decrease) in payables	<u>5</u>	<u>(4)</u>
Net cash inflow/(outflow) from operating activities	<u>7,077</u>	<u>3,797</u>

(b) Components of cash and cash equivalents

	2017 \$'000	2016 \$'000
Cash at bank	<u>3,521</u>	<u>6,260</u>
Total cash and cash equivalents	<u>3,521</u>	<u>6,260</u>

(c) Significant non-cash financing and investing activities

Current year:

There were no significant non-cash financing and investing activities during the financial year.

Prior year:

There were no significant non-cash financing and investing activities during the financial year.

8 Receivables

	2017	2016
	\$'000	\$'000
Income receivable	220	220
Total receivables	220	220

9 Securities

	2017	2016
	\$'000	\$'000
Unlisted securities	188,966	176,336
Total securities	188,966	176,336

Unlisted securities comprise the following holdings:

Queensland Airports Limited	188,966	176,336
Total unlisted securities	188,966	176,336

10 Payables

	2017	2016
	\$'000	\$'000
Distribution payable	3,846	6,590
Accrued expenses	5	-
Total payables	3,851	6,590

11 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

(a) Issued Units

	2017 No. '000	2016 No. '000	2017 \$'000	2016 \$'000
Opening balance	143	143	279,517	279,517
Closing balance	143	143	279,517	279,517

(b) Terms and conditions

Each issued unit confers upon the unitholder an equal interest in the Trust and is of equal value. A unit does not confer any interest in any particular asset or investment held by the Trust. Unitholders have various rights under the Trust Deed, including the right to:

- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Scheme.

The rights, obligations and restrictions attached to each unit are identical in all respects.

(c) Undistributed profit/(loss) attributable to unitholders

	2017 \$'000	2016 \$'000
Opening balance	(103,291)	(121,321)
Operating profit/(loss) after income tax and before finance costs attributable to unitholders	19,702	21,739
Distributions declared	(7,072)	(3,709)
Closing balance	(90,661)	(103,291)

12 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2017 and 30 June 2016.

13 Events after the reporting period

Of the final distribution of \$3,846,000 declared at 30 June 2017, a partial payment of \$3,500,000 was made on 17 July 2017.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the Statement of Financial Position as at 30 June 2017 or on the results and cash flows of the Trust for the year ended on that date.

Directors' declaration

As stated in Note 2(a) to the financial statements, in the directors' opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared to meet the Trust Deed requirements.

The financial statements have been prepared in accordance with Australian Accounting Standards (including Interpretations) to the extent described in Note 2(a).

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 1 to 13 are in accordance with the Trust Deed, including:
 - (i) complying with Australian Accounting Standards (including interpretations) and other mandatory professional reporting requirements to the extent described in Note 2(a); and
 - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the directors of the trustee company, STC Funds Nominee Pty Ltd.



Director

SOUTHERN WAY UNIT TRUST
SPECIAL PURPOSE FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

AMP Capital Investors Limited
33 Alfred Street,
Sydney, NSW 2000
ACN 001 777 591

SOUTHERN WAY UNIT TRUST

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SOUTHERN WAY UNIT TRUST

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	30 June 2017	30 June 2016
	\$	\$
INVESTMENT INCOME		
Dividends	889,128	738,195
Distributions	15,843,101	16,633,542
Interest income	6,034	5,949
Net changes in the fair value of financial instruments measured at fair value through profit or loss	<u>1,590,118</u>	<u>(4,430,009)</u>
Total investment income/(loss)	<u>18,328,381</u>	<u>12,947,677</u>
EXPENSES		
Total expenses	<u>-</u>	<u>-</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS	18,328,381	12,947,677
Finance costs attributable to unitholders		
Distributions to unitholders	(16,739,250)	(17,371,735)
(Increase)/decrease in net assets attributable to unitholders	<u>(1,589,131)</u>	<u>4,424,058</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS	<u>-</u>	<u>-</u>
Other comprehensive income	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	<u>-</u>	<u>-</u>

SOUTHERN WAY UNIT TRUST

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Notes	30 June 2017	30 June 2016
		\$	\$
ASSETS			
Cash and cash equivalents		5,785	6,770
Receivables	2	5	7
Financial assets measured at fair value through profit or loss			
Unlisted equity securities and managed investment funds		129,663,137	128,073,019
TOTAL ASSETS		129,668,927	128,079,796
LIABILITIES			
TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		-	-
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		129,668,927	128,079,796

SOUTHERN WAY UNIT TRUST

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	30 June 2017	30 June 2016
	\$	\$
Balance at the beginning of the financial year	<u>128,079,796</u>	<u>132,503,854</u>
	128,079,796	132,503,854
Increase/(decrease) in net assets attributable to unitholders	<u>1,589,131</u>	<u>(4,424,058)</u>
Balance at the end of the financial year	<u>129,668,927</u>	<u>128,079,796</u>

SOUTHERN WAY UNIT TRUST

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

	Notes	30 June 2017 \$	30 June 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		889,128	738,195
Distributions received		15,843,101	16,633,542
Interest income received		<u>6,036</u>	<u>5,943</u>
Net cash inflow/(outflow) from operating activities	4(a)	16,738,265	17,377,680
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		<u>(16,739,250)</u>	<u>(17,371,735)</u>
Net cash inflow/(outflow) from financing activities		(16,739,250)	(17,371,735)
Net increase/(decrease) in cash and cash equivalents held		(985)	5,945
Cash and cash equivalents at the beginning of the financial year		<u>6,770</u>	<u>825</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		<u><u>5,785</u></u>	<u><u>6,770</u></u>

SOUTHERN WAY UNIT TRUST

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

(a) Trust Information

The Southern Way Unit Trust (the "Trust") is an unregistered unit trust. AMP Capital Investors Limited, the Trustee of the Trust, is incorporated and domiciled in Australia. The registered office of the Trustee is located at 33 Alfred Street, Sydney, NSW 2000.

The Investment Manager of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited.

The principal activity of the Trust during the financial year is the investment of unitholders' funds in accordance with the Trust Deed. There has been no significant change in the nature of this activity during the financial year.

(b) Basis of Preparation

This special purpose Financial Report has been prepared for distribution to the unitholders to fulfil the financial reporting requirements under the Trust Deed. In the opinion of the Trustee, the Trust is not deemed to be a "reporting entity" because there are no users dependent on a general purpose Financial Report.

The Financial Report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the Trustee to meet the needs of users of the Financial Report. The Financial Report has been prepared on an accrual basis of accounting including the historical cost convention except for financial assets measured at fair value through profit or loss and the going concern assumption.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Trust's assets and liabilities are held for the purpose of being traded or are expected to be realised within 12 months, except for net assets attributable to unitholders, for which given the nature of the Trust, a reasonable estimate cannot be made of the amount of the balances that are unlikely to be settled within 12 months.

(c) Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets measured at fair value through profit or loss have been classified as held for trading as they are part of a portfolio which is managed for short-term gains. Financial assets are initially recognised at fair value determined as the purchase cost of the financial asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

Unlisted equity securities and managed investment funds

When the Trust invests in managed investment funds issued by a party whose unlisted equity securities are also held by the Trust, the fair value of such managed investment funds and unlisted equity securities in combination is determined by the Investment Manager using the discounted cash flow methodology.

(d) Significant Accounting Judgements, Estimates and Assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

Fair value measurement of investments in financial instruments

The majority of the Trust's investments are financial instruments held for trading and are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets is set out in Note 1(c).

SOUTHERN WAY UNIT TRUST

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Significant Accounting Judgements, Estimates and Assumptions (continued)

Assessment of Trust investments as structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Trust.

The Trustee has assessed whether the managed investment funds in which the Trust invests in should be classified as structured entities. The Trustee has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Trustee has concluded on whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds.

As voting rights or similar rights are the dominant factor in deciding who controls the funds, the Trustee has concluded that the managed investment funds in which the Trust invests in are not structured entities.

(e) Investment Income

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

Dividend income

Dividends from unlisted companies are recognised when the dividend is declared.

Distribution income

Distributions from unlisted managed investment funds are recognised as income on the date the unit is quoted ex-distribution.

Interest income

Interest income earned on cash and cash equivalents is recognised on an accrual basis.

Net changes in the fair value of financial instruments measured at fair value through profit or loss

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

(f) Expenses

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

(g) Recognition and Derecognition of Financial Assets and Liabilities

Financial assets and financial liabilities are recognised at the date the Trust becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(h) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments which are readily convertible to cash on hand at the Trustee's option and which the Trustee uses in its day to day management of the Trust's cash requirements.

(i) Receivables

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified less any allowance for doubtful debts. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

(j) Net Assets Attributable to Unitholders

Net assets attributable to unitholders comprise units on issue and undistributed reserves. Net assets attributable to unitholders are classified as financial liabilities and not as equity because the Trustee has a contractual obligation to pay distributable income of the Trust to unitholders and units are redeemable at the unitholders' option (subject to the provisions of the Trust Deed). As there are no equityholders, total comprehensive income attributable to unitholders and equity for the Trust is nil. Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if unitholders exercised their right to redeem their units. The Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders.

SOUTHERN WAY UNIT TRUST

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation

Under current legislation, the Trust is not liable to pay income tax since, under the terms of the Trust Deed, the unitholders are presently entitled to the income of the Trust.

(l) Distributable Income

In accordance with the Trust Deed, the Trust fully distributes its distributable income to unitholders each tax year. Such distributions are determined by reference to the taxable income of the Trust. Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses arising from net changes in the fair value of financial assets and derivative financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

(m) Foreign Currency Transactions

(i) Functional and presentation currency

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The presentation currency of this Financial Report, and the functional currency of the Trust, is the Australian dollar.

(ii) Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated to Australian dollars using the exchange rate at the date when the fair value was determined.

(n) Terms and Conditions of Units on Issue

Issued and paid up units are initially recognised at the fair value of the consideration received by the Trust.

Each unit confers upon the unitholder an equal interest in the Trust (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Trust.

Unitholders have various rights under the Trust Deed, which, subject to certain terms and conditions, include the right to:

- have their units redeemed
- receive income distributions
- attend and vote at meetings of unitholders
- participate in the termination and winding up of the Trust.

Applications received for units in the Trust are recognised net of any transaction costs arising on the issue of units in the Trust. Redemptions from the Trust are recognised gross of any transaction costs payable after the cancellation of units redeemed. Unit exit prices are determined in accordance with the Trust Deed and are calculated on a forward pricing basis as the redemption price per unit less any estimate transaction cost.

(o) Goods and Services Tax ("GST")

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of Financial Position.

Cash flows are disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financial activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

SOUTHERN WAY UNIT TRUST

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

	30 June 2017 \$	30 June 2016 \$
NOTE 2: RECEIVABLES		
Interest receivable	<u>5</u>	<u>7</u>
	<u>5</u>	<u>7</u>
	30 June 2017 Units	30 June 2016 Units

NOTE 3: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movement in the number of units on issue during the financial year was as follows:

Units on Issue

Opening balance	<u>62,671,254</u>	<u>62,671,254</u>
Closing balance	<u>62,671,254</u>	<u>62,671,254</u>

	30 June 2017 \$	30 June 2016 \$
NOTE 4: CASH AND CASH EQUIVALENTS		
(a) Reconciliation of net profit/(loss) attributable to unitholders before finance costs to net cash inflow/(outflow) from operating activities		
Net profit/(loss) attributable to unitholders before finance costs	18,328,381	12,947,677
Net changes in the fair value of financial instruments measured at fair value through profit or loss	(1,590,118)	4,430,009
Changes in assets and liabilities:		
(Increase)/decrease in receivables	<u>2</u>	<u>(6)</u>
Net cash inflow/(outflow) from operating activities	<u>16,738,265</u>	<u>17,377,680</u>

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Trust had no commitments or contingencies at 30 June 2017 (30 June 2016: nil).

NOTE 6: EVENTS OCCURRING AFTER THE BALANCE DATE

Since 30 June 2017 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Trust.

NOTE 7: AUTHORISATION OF THE FINANCIAL REPORT

The Financial Report of the Southern Way Unit Trust for the financial year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 11 September 2017.

SOUTHERN WAY UNIT TRUST

STATEMENT BY THE TRUSTEE

As stated in Note 1(b) to the Financial Statements, in the Trustee's opinion, the Trust is not a "reporting entity".

In accordance with a resolution of the Directors of AMP Capital Investors Limited, the Trustee, I state that in the opinion of the Directors of the Trustee:

- (a) The Financial Statements and notes are in accordance with the requirements of the Trust Deed, and:
 - (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) comply with Australian Accounting Standards, as set out in Note 1(b) to the Financial Statements.
- (b) There are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.



Director

11 September 2017, Sydney

State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Unaudited Special Purpose Financial Statements

For the Year Ended 30 June 2017

Confidential

State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

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Confidential

State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Directors' Report

30 June 2017

The Directors present their report on State Infrastructure Holdings 1 Pty Ltd (the "Company") for the financial year ended 30 June 2017.

The Company was constituted on 17 December 2013.

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Names	Appointed	Resigned
Michael Charles Robinson	17 December 2013	6 December 2016
Sara Mei Lee Leong	5 March 2014	6 December 2016
Andrew David Barlass (alternate for Sara Mei Lee Leong)	30 July 2015	6 December 2016
Meng Foong Chan (alternate for Michael Charles Robinson)	30 July 2015	6 December 2016
Lianne Margaret Buck	6 December 2016	
Raffi Kalenderian	26 May 2017	

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Principal activities

The principal activity of State Infrastructure Holdings 1 Pty Ltd during the financial year was the investment of the shareholder's funds.

The registered office of the Company is Governor Phillip Tower, Level 22, 1 Farrer Place, Sydney NSW 2000.

Operating results

The profit of the Company after providing for income tax for the financial year ended 30 June 2017 was \$13,195,217 (2016: loss of \$5,603,725).

Dividends

An interim dividend of \$80,000 was paid on the 27th of June 2017.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Events after the reporting date

The Directors are not aware of any other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect:

- a) the operations of the Company in future financial years, or
- b) the results of those operations in future financial years, or
- c) the state of affairs of the Company in future financial years.

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State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Directors' Report

30 June 2017

Future developments and results

Currently, there are no significant developments expected in respect of the Company. The performance of the Company in the future will be subject to the fair value of its investments.

Environmental and other regulation

The Company's operations are not subject to any significant environmental regulations under Commonwealth, State or Territory law in Australia.

However, its investments are subject to regulation by various statutory authorities in the United Kingdom.

Insurance of Directors

No insurance premiums were paid for out of assets of the Company in regards to insurance cover provided to the Directors.

Audit

The Company is a non-disclosing entity and is regarded as a large proprietary company. Pursuant to Australian Securities and Investments Commission corporations (Audit Relief) instrument 2016/784, State Infrastructure Holdings 1 Pty Ltd will avail for relief from the Corporations Act 2001 requirements for the audit of their financial reports.

Signed in accordance with a resolution of the Board of Directors:

Director: 
Lianne Margaret Buck

Director: 
Raffi Kalenderian

Dated 25/8/17

Sydney

State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2017

	Note	2017 \$	2016 \$
Investment Income			
Interest income	3	15,857,801	17,589,129
Gain on investments held at fair value through profit or loss		18,812,538	-
Other income		33,839	40,768
Gain on exchange differences		6,727	8,819
		<u>34,710,705</u>	<u>17,638,716</u>
Expenses			
Administrative expenses		(702)	(2,037)
Loss on exchange differences		(1,892)	-
Loss on investments held at fair value through profit or loss		-	(8,052,870)
		<u>(2,594)</u>	<u>(8,054,907)</u>
Finance Costs			
Interest expenses		(15,857,801)	(17,589,131)
Profit / (Loss) before income tax		<u>18,850,310</u>	<u>(8,006,322)</u>
Income tax (expense) / benefit	4	(5,655,093)	2,401,597
Profit / (loss) for the period		<u>13,195,217</u>	<u>(5,603,725)</u>
Other comprehensive income/(loss), net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Exchange differences on foreign currency translation		(16,878,001)	(36,824,606)
Other comprehensive income/(loss) for the year, net of tax		<u>(16,878,001)</u>	<u>(36,824,606)</u>
Total comprehensive income/(loss) for the year		<u>(3,682,784)</u>	<u>(42,428,331)</u>

The accompanying notes form part of these financial statements.

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State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Statement of Financial Position

30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash at bank		32,136	4,164,234
Trade and other receivables	5	-	1,379
Related party receivables		1,607	-
Deferred tax assets	6	-	3,339,542
TOTAL CURRENT ASSETS		33,743	7,505,155
NON-CURRENT ASSETS			
Investment in equity securities	7	308,958,972	255,816,846
Investment in variable interest securities	7	273,894,348	211,415,541
TOTAL NON-CURRENT ASSETS		582,853,320	467,232,387
TOTAL ASSETS		582,887,063	474,737,542
LIABILITIES			
CURRENT LIABILITIES			
Income tax liabilities	9	4,590	985
TOTAL CURRENT LIABILITIES		4,590	985
NON-CURRENT LIABILITIES			
Trade and other payable	8	7,087,422	5,627,351
Interest bearing loan	10	266,806,928	205,788,228
Deferred tax liabilities	6	2,535,587	1,299
TOTAL NON-CURRENT LIABILITIES		276,429,937	211,416,878
TOTAL LIABILITIES		276,434,527	211,417,863
NET ASSETS		306,452,536	263,319,679
EQUITY			
Issued capital	11	331,296,653	284,401,012
Reserves	12	(29,637,339)	(12,759,338)
Retained earnings		4,793,222	(8,321,995)
TOTAL EQUITY		306,452,536	263,319,679

The accompanying notes form part of these financial statements.

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State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Statement of Changes in Equity

For Year Ended 30 June 2017

2017

	Note	Ordinary Shares \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1 July 2016		284,401,012	(8,321,995)	(12,759,338)	263,319,679
Shares issued during the period	11	55,820,757	-	-	55,820,757
Return of capital	11	(8,925,116)	-	-	(8,925,116)
Profit for the period		-	13,195,217	-	13,195,217
Dividend		-	(80,000)	-	(80,000)
Other comprehensive income / (loss)	12	-	-	(16,878,001)	(16,878,001)
Balance at 30 June 2017		331,296,653	4,793,222	(29,637,339)	306,452,536

2016

	Note	Ordinary Shares \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1 July 2015		285,834,732	(2,718,270)	24,065,268	307,181,730
Return of capital	11	(1,433,720)	-	-	(1,433,720)
Loss for the period		-	(5,603,725)	-	(5,603,725)
Other comprehensive income / (loss)	12	-	-	(36,824,606)	(36,824,606)
Balance at 30 June 2016		284,401,012	(8,321,995)	(12,759,338)	263,319,679

The accompanying notes form part of these financial statements.

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State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

Statement of Cash Flows

For the Year Ended 30 June 2017

	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Directors fee received	34,253	38,088
Payments to suppliers	(719)	(18,307)
GST refund received	-	3,277
Income tax paid	(6,937)	-
Net cash from operating activities	15 <u>26,597</u>	<u>23,058</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from redemption of preference shares	5,200,579	5,402,343
Net cash from investing activities	<u>5,200,579</u>	<u>5,402,343</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Return of share capital	(8,929,923)	(1,433,720)
Dividends paid	(80,000)	-
Net cash used in financing activities	<u>(9,009,923)</u>	<u>(1,433,720)</u>
Net increase in cash and cash equivalents held	(3,782,747)	3,991,681
Cash and cash equivalents at beginning of the period	4,164,234	62,431
Net foreign exchange difference	(349,351)	110,122
Cash and cash equivalents at end of the period	<u>32,136</u>	<u>4,164,234</u>

The accompanying notes form part of these financial statements.

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State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

1 General Information

State Infrastructure Holdings 1 Pty Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Company's operations and its principal activities are included in the Directors' report.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

In the Directors' opinion, State Infrastructure Holdings 1 Pty Limited is a non-disclosing entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of the Company. The Directors have determined that the accounting policies adopted are appropriate to meet the needs of the Company.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") and the disclosure requirements of the following, except for the recognition and measurement of Loans and Receivables financial instrument, as required by AASB 139 'Recognition and Measurement of Financial Instruments'.

AASB 13 Fair Value Measurement

AASB 101 Presentations of Financial Statements

AASB 107 Cash Flow Statements

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

AASB 139 Recognition and measurement of Financial Instruments

AASB 1054 Australian Additional Disclosures

State Infrastructure Holdings 1 Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below.

The financial statements are based on historical costs, except for investment, which has been measured at fair value.

(b) Financial Instruments

Classification

The Company's investments are classified as at fair value through profit or loss. These are investments in equity instruments, known as investment in equity securities, which are not held for trading purposes.

Recognition / derecognition

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in fair value of the financial assets or financial liabilities from this date.

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State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(b) Financial Instruments

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

Measurement

Financial assets at fair value through profit and loss

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes recognised in the statement of profit and loss.

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

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price, and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used includes discounted cashflow analysis, quoted comparable companies and market based transactions and other valuation techniques commonly used by market participants.

The ultimate holding entity of the Company is required to report the net market value of its assets in accordance to AAS25 (Financial Reporting for Superannuation Plans). Therefore the Company fair values its assets in accordance to AAS25. Under AAS25, the net market value is defined as the fair amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal.

Loans and receivables

Loans and Receivables financial assets are initially recognised at cost and are subsequently measured using the actual interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at fair value decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(c) Investment Income

Interest income is recognised on an accrual basis. The Company uses the actual interest rate in calculating interest income from Eurobonds because the actual interest rate approximates the effective interest rate method, provided there are no transaction costs.

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Expenses

All expenses are recognised in profit or loss on an accruals basis.

(f) Trade and other payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. Amounts are generally paid within 30 days of being recorded as payables.

(g) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(h) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

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

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

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

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(h) Income Tax

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(j) Foreign currency transactions and balances

The Company maintains its accounting books and records in Pound Sterling (GBP) on the basis that the Company's only activity is investment in UK based infrastructure assets. The equity funding provided by the shareholder of the Company and the investments in the underlying UK assets have all been in GBP.

For statutory compliance and financial reporting purposes, the Company translates its financial records from Pound Sterling to Australian Dollars at the end of the reporting period. Balance sheet items are translated using the closing spot rate on the reporting date and profit and loss items are translated using the average rate for the reporting period. The rates used for translation are London 4 pm rates, provided by JP Morgan as the Custodian of SAS Trustee Corporation, the ultimate holding entity of the Company.

Exchange differences arising on translation are recognised in other comprehensive income as foreign currency translation reserve.

(k) Use of estimates and judgments

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

The Company's financial instruments are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are periodically reviewed by experienced personnel of the independent valuer.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(i) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that are not mandatory for the 30 June 2017 reporting period. Therefore, the new Standards have not been early adopted by the Company. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations that are most relevant to the Company, are set out below:

AASB 9 'Financial Instruments (December 2010)', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures', AASB 2014-1 'Amendments to Australian Accounting Standards'

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 July 2018 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. The Company has not yet decided when to adopt AASB 9. At present, the Company does not expect this will have a significant impact on the Company's financial statements.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 replaces AASB 111 'Construction Contracts', AASB 118 'Revenue', Interpretation 13 'Customer Loyalty Programmes', Interpretation 15 'Agreements for the Construction of Real Estate', Interpretation 18 'Transfers of Assets from Customers', and Interpretation 131 'Revenue Barter Transactions Involving Advertising Services'. It outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment is effective for annual reporting periods beginning on or after 1 July 2018, with early adoption permitted. The Group does not expect this will have a significant impact on the Group's financial statements.

State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

3 Interest Income

Interest income from Eurobonds

2017				
	Eurobond amount GBP	Interest rate	Interest amount GBP	Interest amount AUD
1 July 2016 to 22 August 2016	114,624,434	7.7373%	1,287,795	2,165,989
23 August 2016 to 22 February 2017	119,046,674	7.5188%	4,487,672	7,547,981
23 February 2017 to 8 May 2017	123,534,346	7.5161%	1,933,316	3,251,715
9 May to 30 June 2017	157,553,759	7.5161%	1,719,515	2,892,116
			9,428,298	15,857,801

2016				
	Eurobond amount GBP	Interest rate %	Interest amount GBP	Interest amount AUD
1 July 2015 to 21 August 2015	106,289,352	7.6809%	1,163,093	2,370,847
22 August 2015 to 22 February 2016	110,293,078	7.7481%	4,331,357	8,829,033
23 February 2016 to 30 June 2016	114,624,435	7.7373%	3,134,445	6,389,249
			8,628,895	17,589,129

The interest was calculated in GBP as per the terms of the Eurobonds and translated to AUD using the average exchange rate for the period. The rate used in translation was 1.681937 (2016: 2.038399).

4 Income Tax Expense / Benefit

Reconciliation of income tax to accounting profit:

	2017	2016
	\$	\$
Numerical reconciliation of Income tax expense and tax at statutory rate:		
Profit / (loss) before income tax expense	18,850,310	(8,005,322)
Tax at the statutory rate of 30%	(5,655,093)	2,401,597
Income tax (expense) / benefit	(5,655,093)	2,401,597

5 Trade and Other Receivables

	2017	2016
	\$	\$
GST receivable	-	1,379
	-	1,379

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State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

6 Deferred Tax

(i) Deferred Tax Assets

	2017	2016
	\$	\$
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in the Income statement		
Unrealised (gain) / loss on investment	(3,128,624)	2,415,861
Accrued expenses	-	(1,494)
Unrealised foreign exchange loss	-	(1,361)
Current year tax (profit) / loss	-	(8,816)
	<u>(3,128,624)</u>	<u>2,404,190</u>
Movements:		
Opening balance	3,339,542	1,392,804
Credited to the income statement	(3,128,624)	2,404,190
Exchange Differences	(210,918)	(457,452)
Closing balance	<u>-</u>	<u>3,339,542</u>

(ii) Deferred Tax Liabilities

	2017	2016
	\$	\$
Deferred tax liability comprises temporary differences attributable to:		
Unrealised foreign exchange (gain)/loss	(2,018)	(1,474)
Unrealised (gain)/loss on investment	(2,515,138)	-
	<u>(2,517,156)</u>	<u>(1,474)</u>
Movements:		
Opening balance	(1,299)	-
Credited to the income statement	(2,517,156)	(1,474)
Exchange Differences	(17,132)	175
Closing balance	<u>(2,535,587)</u>	<u>(1,299)</u>

7 Investments

Fair value of Investments

	2017	2016
	\$	\$
Opening Balance	467,232,387	529,038,442
Additions	116,354,827	-
Return of Capital	(5,235,865)	(6,068,032)
Interest Capitalised	15,857,801	17,589,129
Fair Value Gain/(Loss)	18,812,538	(8,052,870)
Foreign Exchange Revaluation	(30,168,368)	(65,274,282)
Balance as at 30 June 2017	<u>582,853,320</u>	<u>467,232,387</u>

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State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

7 Investments

Fair value of investments

For the purpose of managing and evaluating the performance of the investments, which comprises of ordinary shares, preference shares and Eurobonds, the Directors of the Company consider them as a group of assets.

An additional investment of GBP 66,413,357 (\$116,354,827 at the exchange rate of 1.7519793) was made during the period. This sum was paid directly by STC to Kelda group by way of an equity investment of GBP 31,861,539 (\$55,820,757 at the exchange rate of 1.7519793) and loan finance of GBP 34,551,818 (\$60,534,070 at the exchange rate of 1.7519793) to State Infrastructure Holdings 1 Pty Ltd by State Infrastructure Trust.

New South Wales Treasury Corporation (Tcorp) is the investment manager ("Manager") to SAS Trustee Corporation for its investments in State Infrastructure Holdings 1 Pty Ltd. An independent valuer ("Valuer") is engaged by STC in respect of the Company's investments. The Valuer considered a number of valuation methods including discounted cashflow analysis, quoted comparable companies and market-based transactions to determine the fair value of the investments.

Given the status of prevailing business conditions and the performance of the investment and the recommendation by the Manager and the Valuer, the Directors determined the fair value of the investment at 30 June 2017 to be GBP 344,184,211 (\$582,853,320 at the exchange rate of 1.693434) [2016: GBP 260,249,374 (\$467,232,387 at an exchange rate of 1.795326)].

8 Trade and Other Payables

NON-CURRENT

Interest payable on shareholder loan

7,087,422	5,627,351
<u>7,087,422</u>	<u>5,627,351</u>

9 Income tax liabilities

	2017	2016
	\$	\$
Opening balance	985	-
Provision for the year	10,542	985
Paid during the year	(6,937)	-
	<u>4,590</u>	<u>985</u>

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State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

10 Interest Bearing Loan

	2017	2016
	\$	\$
Opening Balance	205,788,228	217,488,316
Additional Drawdown	60,534,070	-
Interest Capitalised	15,088,350	16,990,223
Foreign Exchange Revaluation Reserve	(14,603,720)	(28,690,311)
	<u>266,806,928</u>	<u>205,788,228</u>

Shareholder Loan

The Company borrowed an additional GBP 34,019,413 (\$60,534,070 at the exchange rate of 1.7519793) from its shareholder State Infrastructure Trust to fund the acquisition of the Eurobonds investment. The loan was drawn down on 8 May 2017.

The terms of the loan mirrors the terms of the Eurobonds issued by the Kelda Eurobond Co Limited. Repayment of the loan principal and accrued interest is due on the date of the redemption of the Eurobonds.

11 Issued Capital

	2017	2016
	\$	\$
Opening balance	284,401,012	285,834,732
Ordinary share issued during the period	55,820,757	-
Return of capital	(8,925,116)	(1,433,720)
Closing balance	<u>331,296,653</u>	<u>284,401,012</u>

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At the shareholder's meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

During the financial year, the Company made a capital return of \$8,925,116 (2016: \$1,433,720) from the proceeds of the redemption of preference shares as well as issued 31,861,539 number of shares at \$1.75 per unit (2016: Nil).

State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

12 Reserves

	2017	2016
	\$	\$
Foreign currency translation reserve		
Opening balance	(12,759,338)	24,065,268
Transfers In/(out)	(16,878,001)	(36,824,606)
Total reserves	(29,637,339)	(12,759,338)

Foreign currency translation reserve

The Company maintains its books and records in Pound Sterling (GBP) on the basis that the Company's only activity is investment in UK based infrastructure assets. For the financial reporting and compliance purposes, the Company translates its financial records from Pound Sterling to Australian Dollars.

Balance sheet items are translated using the closing spot rate on the reporting date and Profit and Loss items are translated using the average rate for the reporting period. Exchange differences arising on translation are recognised in other comprehensive income as foreign currency translation reserve.

13 Fair Value Measurement

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Investments

(a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value.

	Level 1	Level 2	Level 3	Total
2017	\$	\$	\$	\$
Recurring fair value measurements				
Financial assets				
Investments	-	-	582,853,320	582,853,320
Total	-	-	582,853,320	582,853,320

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State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

13 Fair Value Measurement

Fair value hierarchy	Level 1	Level 2	Level 3	Total
2016	\$	\$	\$	\$
Recurring fair value measurements				
Financial assets				
Investments	-	-	467,232,387	467,232,387
Total	-	-	467,232,387	467,232,387

(b) Valuation techniques used to derive level 2 and level 3 fair values

For its investments, the Company obtains independent valuations at least annually. At the end of each reporting period, the Directors in consultation with the Manager will update their assessment of the fair value of investments, taking into account the most recent independent valuations.

The independent valuer considers a number of valuation methods including discounted cashflow analysis and quoted comparable companies and market-based transactions.

All resulting fair value estimate for investments is included in level 3.

State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

14 Related Parties

(a) **Immediate and ultimate parent entity**

The Company's immediate parent entity is State Infrastructure Trust, and the ultimate holding entity is SAS Trustee Corporation, a defined benefit superannuation fund.

(b) **Key management personnel**

Any person(s) 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 is considered key management personnel.

The following persons were directors of State Infrastructure Holdings 1 Pty Ltd during the financial period and up to the date of this report:

Names	Appointed	Resigned
Michael Charles Robinson	17 December 2013	6 December 2016
Sara Mei Lee Leong	5 March 2014	6 December 2016
Andrew David Barlass (alternate for Sara Mei Lee Leong)	30 July 2015	6 December 2016
Meng Foong Chan (alternate for Michael Charles Robinson)	30 July 2015	6 December 2016
Lianne Margaret Buck	6 December 2016	
Raffi Kalenderian	26 May 2017	

There were no interests held by any of the key management person in State Infrastructure Holdings 1 Pty Ltd during the financial period ended 30 June 2017.

(c) **Shareholder**

2017	No. of shares	%
Ordinary shares		
State Infrastructure Trust	319,470,650	100.00
Total	319,470,650	100.00
2016	No. of shares	%
Ordinary shares		
State Infrastructure Trust	287,609,111	100.00
Total	287,609,111	100.00

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State Infrastructure Holdings 1 Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2017

14 Related Parties

(d) Investment Manager

New South Wales Treasury Corporation is the investment manager to SAS Trustee Corporation for its investments in State Infrastructure Holdings 1 Pty Ltd.

(e) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Loans from related parties

The Company has borrowed GBP 94,921,655 (\$194,227,836 at an exchange rate of 2.046191) from its shareholder State Infrastructure Trust to part fund the acquisition of its investment. The loan was drawn on 29 January 2014.

The Company has borrowed an additional loan of GBP 34,551,818 (\$60,534,070 at exchange rate 1.751979) from State Infrastructure Trust to fund the acquisition on additional Eurobonds. The loan was drawn down on 8th May 2017.

15 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2017	2016
	\$	\$
Profit for the year	13,195,217	(5,603,725)
- Interest revenue not received	(15,857,801)	(17,589,129)
- Interest expenses not paid	15,857,801	17,589,131
- (Gain) / loss of investment fair value adjustment	(18,812,538)	8,052,870
- Realised foreign loss	1,892	-
- Income tax expense / (benefit)	5,655,093	(2,401,597)
- Increase/(decrease) in trade and other receivables	-	2,291
- Increase/(decrease) in trade and other payables	-	(14,825)
- Net foreign exchange differences	(13,067)	(11,958)
Cashflow from operations	<u>26,597</u>	<u>23,058</u>

16 Commitments and Contingencies

In the opinion of the Directors, the Company did not have any commitments or contingencies at 30 June 2017.

17 Events Occurring After the Reporting Date

As at the date of this report, the Directors of the Company are not aware of any other matter or circumstance that has arisen since the end of the financial period that has significantly affected or may significantly affect the operations of the Company, the results of its operations or its state of affairs, which is not already reflected in this report.

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State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

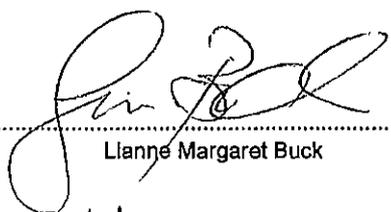
Directors' Declaration

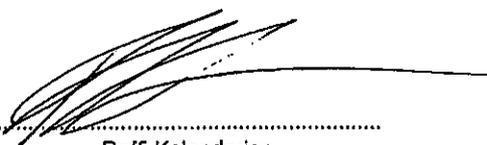
The Directors have determined that the Company is a non-disclosing entity and is regarded as a "large proprietary company" pursuant to 45A of the Corporations Act 2001 (Cth) and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the financial statements.

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 3 to 19, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards as stated in Note 2; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Lianne Margaret Buck

Director

Raffi Kalenderian

Dated 25/8/17
Sydney

State Infrastructure Trust

ABN: 50 580 647 086

Unaudited Special Purpose Consolidated Financial Statements

For the Year Ended 30 June 2017

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State Infrastructure Trust

ABN: 60 600 647 086

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State Infrastructure Trust

ABN: 60 680 847 086

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2017

	Note	Consolidated		State Infrastructure Trust	
		2017	2016	2017	2016
		\$	\$	\$	\$
Revenue					
Interest Income	3	15,858,405	17,590,435	15,852,726	17,578,948
Other Income		33,639	40,768	80,000	-
Gain on investments held at fair value through profit or loss		18,812,538	-	-	-
Total Revenue		34,704,582	17,631,203	16,932,726	17,578,948
Expenses					
Loss on investments held at fair value through profit or loss		-	(8,052,870)	-	-
Net loss in foreign exchange translation	5	(13,902,585)	(29,454,035)	(13,907,420)	(29,462,855)
Administrative expenses		(837)	(152)	(136)	1,886
Total Expenses	5	(13,903,422)	(37,507,057)	(13,907,556)	(29,460,969)
Income / (loss) before Income tax		20,801,160	(19,875,854)	2,025,170	(11,882,021)
Income tax (expense) / benefit	4	(5,655,093)	2,401,597	-	-
Operating income / (loss) before transactions with unitholder		15,146,067	(17,474,257)	2,025,170	(11,882,021)
Finance costs attributable to unitholders					
Distribution to unitholders		(15,103,061)	(17,461,446)	(15,103,061)	(17,461,446)
Reclassification of other comprehensive income - exchange differences on foreign currency translation		(16,883,681)	(36,836,095)	-	-
Decrease / (increase) in net assets attributable to unitholders		16,840,675	71,771,798	13,077,891	29,343,467
Net profit / (loss)		-	-	-	-
Other comprehensive income					
Exchange differences on foreign currency translation		(16,883,681)	(36,836,095)	-	-
Reclassification of other comprehensive income to profit or loss		16,883,681	36,836,095	-	-
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		-	-	-	-

The accompanying notes form part of these financial statements.

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State Infrastructure Trust

ABN: 50 530 647 086

Consolidated Statement of Financial Position

30 June 2017

	Note	Consolidated		State Infrastructure Trust	
		2017	2016	2017	2016
		\$	\$	\$	\$
Assets					
Current assets					
Cash at bank		32,136	4,218,105	-	53,871
Trade and other receivables	6	-	5,541	-	4,162
Deferred tax assets	8	-	3,339,542	-	-
Total current assets		32,136	7,563,188	-	58,033
Non-current assets					
Intercompany loan	7	-	-	273,894,350	211,415,579
Investment in equity securities	9	308,958,972	255,816,846	331,296,653	284,401,012
Investment in variable interest securities	9	273,894,348	211,415,541	-	-
Total non-current assets		582,853,320	467,232,387	605,191,003	495,816,591
Total assets		582,885,456	474,795,575	605,191,003	495,874,624
Liabilities					
Current liabilities					
Trade and other payables	10	-	-	1,607	-
Income tax payable		4,590	985	-	-
Distribution payable		14,962,954	17,461,446	14,962,954	17,461,446
Total current liabilities		14,967,544	17,462,431	14,964,561	17,461,446
Deferred tax liabilities	8	2,535,587	1,299	-	-
TOTAL NON-CURRENT LIABILITIES		2,535,587	1,299	-	-
Total liabilities (excluding net assets attributable to unitholder)		17,503,131	17,463,730	14,964,561	17,461,446
Net assets attributable to unitholder - liability		565,382,325	457,331,845	590,226,442	478,413,178

The accompanying notes form part of these financial statements.

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State Infrastructure Trust
ABN: 50 580 647 086

Consolidated Statement of Changes in Net Assets Attributable to Unitholder

For the Year Ended 30 June 2017

	Note	Consolidated		State Infrastructure Trust	
		2017	2016	2017	2016
		\$	\$	\$	\$
Net assets attributable to unitholder at the beginning of the financial year		457,331,845	515,287,069	478,413,178	493,940,071
Units issued during the financial year	11	133,816,271	15,250,294	133,816,271	15,250,294
Return of capital	11	(8,925,116)	(1,433,720)	(8,925,116)	(1,433,720)
Changes in net assets attributable to unitholder		(16,840,675)	(71,771,798)	(13,077,891)	(29,343,467)
Closing net assets attributable to unitholder		<u>555,382,325</u>	<u>457,331,845</u>	<u>590,226,442</u>	<u>478,413,178</u>

The accompanying notes form part of these financial statements.

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State Infrastructure Trust

ABN: 50 580 647 086

Statement of Cash Flows

For the Year Ended 30 June 2017

Note	Consolidated		Parent		
	2017	2016	2017	2016	
	\$	\$	\$	\$	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Interest received	678	1,401	678	1,401	
Payments to suppliers	(855)	(76,500)	(136)	(58,193)	
Income taxes paid	(6,937)	-	-	-	
Director fee received	34,253	38,088	-	-	
GST refund received	5,695	9,309	5,695	6,032	
Net cash from/(used in) operating activities	14	<u>32,834</u>	<u>(27,702)</u>	<u>6,237</u>	<u>(50,760)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceed from redemption of preference shares	5,200,579	5,402,343	-	1,433,720	
Net cash from investing activities	<u>5,200,579</u>	<u>5,402,343</u>	<u>-</u>	<u>1,433,720</u>	
CASH FLOWS FROM FINANCING ACTIVITIES:					
Share capital returned	(8,929,923)	(1,433,720)	-	(1,433,720)	
Distribution paid	(140,108)	-	(60,108)	-	
Net cash used in financing activities	<u>(9,070,031)</u>	<u>(1,433,720)</u>	<u>(60,108)</u>	<u>(1,433,720)</u>	
Net increase/(decrease) in cash and cash equivalents held	(3,836,618)	3,940,921	(53,871)	(50,760)	
Cash and cash equivalents at beginning of year	4,218,105	167,062	53,871	104,631	
Net foreign exchange difference	(349,351)	110,122	-	-	
Cash and cash equivalents at end of financial year	<u>32,136</u>	<u>4,218,105</u>	<u>-</u>	<u>53,871</u>	

The accompanying notes form part of these financial statements.

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State Infrastructure Trust

ABN: 60 680 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

1 General Information

State Infrastructure Trust (the "Trust") was created under the Trust Deed dated 23 August 2010. Perpetual Corporate Trust Limited was appointed as Trustee of the Trust. Deutsche Asset Management (Australia) Limited was appointed as Manager of the Trust up to 13 June 2013. Subsequently, Deutsche Australia Limited was appointed as the new Manager (the "Manager") of the Trust. On the 6th of December 2016, New South Wales Treasury Corporation (TCorp) was appointed as Manager of the Trust.

The financial statements have been prepared for State Infrastructure Trust and for the consolidated group, consisting of State Infrastructure Trust and its wholly owned subsidiary State Infrastructure Holdings 1 Pty Limited ("SIH1"), (together referred as the "Group" or "Consolidated Group") for the year ended 30 June 2017.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of financial statements are set out below.

(a) Basis of Preparation

The Consolidated Group is a non-disclosing entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purpose of complying with the requirements of the Trust's constitution, to prepare and distribute financial statements to the owner of the Group. The Trustee has determined that the accounting policies adopted are appropriate to meet the needs of the Consolidated Group.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") and the disclosure requirements of the following, except for the recognition and measurement of Loans and Receivables financial instrument, as required by AASB 139 'Recognition and Measurement of Financial Instruments'.

AASB 13	Fair Value Measurement
AASB 101	Presentation of Financial Statements
AASB 107	Cash Flow Statement
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 124	Related Party Disclosures
AASB 139	Recognition and Measurement of Financial Instruments
AASB 1048	Interpretation and Application of Standards
AASB 1054	Australian Additional Disclosures

The Group is a for-profit entity for the purpose of preparing the financial statements.

The financial statements have been prepared on an on-going basis and the owner of the Group confirms that it will provide support for the Group to continue to meet its debts as they fall due for at least the next twelve months from the date of signing these financial statements.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below.

The financial statements are presented in Australian Dollars. The financial statements are based on historical costs, except for the financial assets held at fair value, which have been measured at fair value.

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State Infrastructure Trust

ABN: 50 580 647 066

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Trust and its subsidiaries.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Financial Instruments

(i) Classification

The Group's investments are classified at fair value through profit or loss. These are investments in equity instruments, known as investment in equity securities, that are not held for trading purposes.

(ii) Recognition / derecognition

The Group recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in the fair value of the financial assets or liabilities from this date.

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

(iii) Measurement

Financial assets at fair value through profit and loss

At initial recognition, the Group measures a financial asset at its fair value plus transaction cost.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes recognised in the statement of profit and loss.

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

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price, and the quoted market price for financial liabilities is the current asking price.

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State Infrastructure Trust

ABN: 60 660 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(c) Financial Instruments

(iii) *Measurement*

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of discounted cashflow analysis, quoted comparable companies and market based transaction and other valuation techniques commonly used by market participants.

The ultimate holding entity of the Group is required to report the net market value of its assets in accordance to AAS25 (Financial Reporting for Superannuation Plans). Therefore the Group fair values its assets in accordance to AAS25. Under AAS25, the net market value is defined as the fair amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal.

Loans

Loan assets are measured initially at fair value and subsequently measured using the actual interest rate method, less any impairment losses. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at fair value decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

(iv) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Investment income

Interest income is recognised on an accrual basis. The Group uses actual interest rate in calculating interest income from Eurobonds because the actual interest rate approximates the effective interest rate method, provided there are no transaction costs.

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) Trade and other receivables

Receivables represent Goods and Services Tax receivable from the Australian Taxation Office and interest on cash held at the bank accounts of the Group.

(g) Expenses

All expenses are recognised in profit or loss on an accrual basis.

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State Infrastructure Trust

ABN: 60 680 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(h) Trade and other payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not invoiced to the Group. Amounts are generally paid within 30 days of being recorded as payables.

The distribution amount payable to the unitholder as at the reporting date is recognised separately in the statement of financial position when the unitholder becomes presently entitled to the distributable income as per the Trust Deed.

(i) Distributions to Unitholders

In accordance with the Trust Deed, the Trust fully distributes its distributable income to its unitholder. Such distributions are determined by reference to the taxable income of the Trust.

(j) Net assets attributable to unitholders

Under the Trust Deed, units issued by the Trust provide the unitholder with the right to put them back to the Trust at the prevailing redemption price. Although the Trustee may suspend any applications and redemptions if it is in the best interests of the unitholder, the Trust has a contractual obligation to distribute its distributable income, in accordance with the Trust's constitution. As such, the net assets attributable to the unitholder is classified as a financial liability in the Statement of Financial Position.

Applications and redemptions do not incur any entry or exit fees.

(k) Income tax

Under the current legislation the Trust is not subject to income tax provided the unitholder is presently entitled to the income of the Trust and the Trust fully distributes its taxable income. Even though the Trust is exempt from income tax, the subsidiary of the Consolidated Group, SIH1 is not and SIH1's effect of income tax and deferred taxes are accounted as per the following:

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the period and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of the tax bases of assets and liabilities to the carrying amounts in the financial statements.

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

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

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

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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State Infrastructure Trust

ABN: 50 680 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(k) Income tax

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(m) Foreign currency transactions and balances

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. Accordingly, the consolidated financial statements are presented in Australian Dollars.

The SIH1 maintains its accounting books and records in Pound Sterling (GBP) on the basis that SIH1's primary activity is investment in UK assets. The initial funds provided by the ultimate investor to SIH1 and investments in underlying UK assets have all been in GBP.

For statutory compliance and financial reporting purposes, SIH1 translates its financial records from Pound Sterling to Australian Dollars at the end of the reporting period. Balance sheet items are translated using the closing rate and profit and loss items are translated using the average rate for the reporting period. The rates used in translation are London 4pm rates, provided by JP Morgan as the Custodian of SAS Trustee Corporation, the ultimate holding entity of the Trust.

Exchange differences arising on translation are recognised in other comprehensive income as foreign currency translation reserve.

(n) Use of estimates and judgments

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

The Group's financial instruments are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they periodically reviewed by experienced personnel of the independent valuer.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumption about these factors could affect the reported fair value of financial instruments.

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State Infrastructure Trust

ABN: 60 680 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(o) New accounting standards and interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that are not mandatory for 30 June 2017 reporting period. Therefore, the new Standards have not been early adopted by the Group. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations that are most relevant to the Group, are set out below:

AASB 9 'Financial Instruments (December 2010)', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures', AASB 2014-1 'Amendments to Australian Accounting Standards' (effective from 1 January 2018)

AASB 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. The Group has not yet decided when to adopt AASB 9. At present, the Group does not expect this will have a significant impact on the Group's financial statements.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 replaces AASB 111 'Construction Contracts', AASB 118 'Revenue', Interpretation 13 'Customer Loyalty Programmes', Interpretation 15 'Agreements for the Construction of Real Estate', Interpretation 18 'Transfers of Assets from Customers', and Interpretation 131 'Revenue Barter Transactions Involving Advertising Services'. It outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognises revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment is effective for annual reporting periods beginning on or after 1 July 2018, with early adoption permitted. The Group does not expect this will have a significant impact on the Group's financial statements.

3 Interest Income

	Consolidated		State Infrastructure Trust	
	2017	2016	2017	2016
	\$	\$	\$	\$
Intercompany interest income	-	-	15,852,122	17,577,642
Interest Income from Cash at Bank	603	1,306	603	1,306
Interest Income - Euro Bond	15,857,802	17,589,129	-	-
	<u>15,858,405</u>	<u>17,590,435</u>	<u>15,852,725</u>	<u>17,578,948</u>

The intercompany interest income from SIH1 was calculated and recognised as per the terms of the intercompany loan agreement between the Trust and SIH1.

The interest income accounted in SIH1 was calculated and recognised as per the terms of the Eurobonds.

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State Infrastructure Trust

ABN: 60 680 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

4 Income Tax Expense / Benefit

Reconciliation of income tax to SIH1's accounting profit below:

	SIH1 2017 \$
Numerical reconciliation of income tax expense and tax at statutory rate:	
Profit / (loss) before income tax expense	18,850,311
Tax at statutory rate of 30%	<u>(5,655,093)</u>
Income tax (expense) / benefit	<u><u>(5,655,093)</u></u>

	SIH1 2016 \$
Numerical reconciliation of income tax expense and tax at statutory rate:	
Profit / (loss) before income tax expense	(8,005,322)
Tax at statutory rate of 30%	<u>2,401,597</u>
Income tax (expense) / benefit	<u><u>2,401,597</u></u>

5 Foreign Exchange Gain / Loss

	Consolidated		State Infrastructure Trust	
	2017	2016	2017	2016
	\$	\$	\$	\$
Unrealised gain / (loss) on foreign currency translation	(13,071,088)	(29,338,521)	(13,077,816)	(29,347,973)
Realised gain / (loss) on foreign currency translation	(831,496)	(115,514)	(829,604)	(114,882)
	<u>(13,902,585)</u>	<u>(29,454,035)</u>	<u>(13,907,420)</u>	<u>(29,462,855)</u>

6 Trade and Other Receivables

	Consolidated		State Infrastructure Trust	
	2017	2016	2017	2016
	\$	\$	\$	\$
Bank Interest Receivable	-	75	-	75
GST receivable	-	5,486	-	4,087
	<u>-</u>	<u>5,561</u>	<u>-</u>	<u>4,162</u>

State Infrastructure Trust

ABN: 50 680 847 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

7 Intercompany Loan

	Consolidated		State Infrastructure Trust	
	2017	2016	2017	2016
	\$	\$	\$	\$
Loan to subsidiary	-	-	266,806,928	205,788,228
Loan interest receivable	-	-	7,087,422	5,627,351
	-	-	273,894,350	211,415,579

State Infrastructure Trust provided an additional loan of GBP 34,019,413 (\$57,609,638 @ 1.693434) to State Infrastructure Holding 1 Pty Ltd to fund the acquisition of the Eurobonds investment. The loan was drawn down on 8 May 2017. The terms of the loan mirrors the terms of the Eurobonds issued by Kelda Group. Repayment of the loan principal and accrued interest is due on the date of redemption of the Eurobonds.

8 Deferred Tax

The deferred tax recognised in the Consolidated Statement of Financial Position relates to the subsidiary company of the Group, SIH1.

The Trust fully distributes its taxable income to the unitholder and as a result is not subject to income tax.

(a) Deferred Tax Asset

	SIH1	
	2017	2016
	\$	\$
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in the income statement		
Unrealised (gain) / loss on investment	(3,128,624)	2,415,861
Accrued expense	-	(1,494)
Unrealised foreign exchange loss	-	(1,361)
Current year tax (profit) / loss	-	(8,816)
	(3,128,624)	2,404,190
Movements		
Opening balance	3,339,542	1,392,804
Credited to the income statement	(3,128,624)	2,404,190
Exchange differences	(210,918)	(457,452)
Closing balance	-	3,339,542

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State Infrastructure Trust

ABN: 50 680 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

8 Deferred Tax

(b) Deferred Tax Liability

	SIH1	
	2017	2016
	\$	\$
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in the income statement		
Unrealised foreign exchange (gain)/loss	(2,018)	(1,474)
Unrealised (gain)/loss on investment	(2,515,138)	-
	(2,517,156)	(1,474)
<i>Movements</i>		
Opening balance	(1,299)	-
Credited to the income statement	(2,517,156)	(1,474)
Exchange differences	(17,132)	175
Closing balance	(2,535,687)	(1,299)

9 Investments

Fair value of investment

	Consolidated	
	2017	2016
	\$	\$
Opening Balance	467,232,387	529,038,442
Additions	112,466,651	-
Return of Capital	(5,235,865)	(6,068,032)
Interest Capitalised	15,857,801	17,589,129
Fair Value Gain/(Loss)	18,812,538	(8,052,870)
Foreign Exchange Revaluation	(26,280,192)	(65,274,282)
Balance as at 30 June 2017	582,853,320	467,232,387

For the purpose of managing and evaluating the performance of the investments, which comprise ordinary shares, preference shares and Eurobonds, the Trustee consider them as a group of assets.

New South Wales Treasury Corporation is the investment manager ("Manager") to SAS Trustee Corporation ("STC") for its investments in State Infrastructure Holdings 1 Pty Ltd. An independent valuer ("Valuer") is engaged by STC in respect of SIH1's investments. The Valuer considered a number of valuation methods including discounted cashflow analysis, quoted comparable companies and market-based transactions to determine the fair value of the investments. Given the status of prevailing business conditions and the performance of the investment and the recommendation by the Manager, the Trustee, considers it prudent to hold the value of the investments in GBP terms, i.e. GBP 344,184,211 (\$582,853,320 at an exchange rate of 1.693434) [2016: GBP 260,249,374 (\$467,232,387 at an exchange rate of 1.795326)].

State Infrastructure Trust

ABN: 60 690 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

10 Trade and Other Payables

	Consolidated		State Infrastructure Trust	
	2017	2016	2017	2016
	\$	\$	\$	\$
Related party payables	-	-	1,607	-
	-	-	1,607	-

11 Net Assets Attributable to Unitholder

(a) Units on Issue

	State Infrastructure Trust			
	2017		2016	
	No of units	\$	No of units	\$
Units on issue at the beginning of the year	3,443,714,323	490,374,193	3,340,574,930	476,557,619
Units issued during the year	958,873,534	133,816,271	103,139,393	15,250,294
Return of capital	-	(8,925,116)	-	(1,433,720)
Units on issue at the end of the year	4,402,587,867	615,265,348	3,443,714,323	490,374,193

During the financial year, the Trust made a capital return of \$8,925,116 (2016: \$1,433,720) to its unitholder from the proceeds of the redemption of preference shares from the underlying investee company.

(b) Change In net assets attributed to unitholder

	Consolidated		State Infrastructure Trust	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net assets attributable to unitholder at the beginning of the year	457,331,845	515,287,069	478,413,178	493,940,071
Units issued during the year	133,816,271	15,250,294	133,816,271	15,250,294
Return of capital	(8,925,116)	(1,433,720)	(8,925,116)	(1,433,720)
Changes in net assets attributable to unitholder	(16,840,675)	(71,771,798)	(13,077,891)	(29,343,467)
Closing net assets attributed to unitholder	565,382,325	457,331,845	590,226,442	478,413,178

12 Fair Value Measurement

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Investments in equity securities

(a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires, all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

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State Infrastructure Trust

ABN: 60 680 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

12 Fair Value Measurement

(a) Fair value hierarchy

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Group:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2017				
Recurring fair value measurements				
Financial assets				
Investment	-	-	582,853,320	582,853,320
Total	-	-	582,853,320	582,853,320

2016

Recurring fair value measurements

Financial assets				
Investment	-	-	467,232,387	467,232,387
Total	-	-	467,232,387	467,232,387

(b) Valuation techniques used to derive level 2 and level 3 fair values

The Group obtains independent valuations at least annually for its investment. At the end of each reporting period, the Trustee in consultation with the Manager will update its assessment of the fair value of investments, taking in account the most recent independent valuations.

The valuation methodologies used by the independent valuer include discounted cash flow analysis and quoted comparable entities and market-based transactions.

All resulting fair value estimates for the investments are included in level 3.

13 Related Parties

(a) General Information

Perpetual Corporate Trust Limited is the Trustee of State Infrastructure Trust.

The unitholder is SAS Trustee Corporation, a defined benefit superannuation fund.

NSW Treasury Corporation (Tcorp) is the investment manager to SAS Trustee Corporation for its investments in the Group.

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State Infrastructure Trust

ABN: 60 680 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

13 Related Parties

(b) Unitholders

Details of the unitholder and unitholding are as follows:

	No. of units	%
2017		
SAS Trustee Corporation	4,402,587,857	100.00
Total	4,402,587,857	100.00
2016		
SAS Trustee Corporation	3,443,714,323	100.00
Total	3,443,714,323	100.00

(c) Subsidiaries

The consolidated financial statements include the financial statements of State Infrastructure Trust and the following subsidiaries:

	2017 % of ownership interest	2016 % of ownership interest
State Infrastructure Holdings 1 Pty Limited	100.00	100.00

State Infrastructure Holdings 1 Pty Limited was incorporated on 17 December 2013.

(d) Transactions with related parties

All transactions between the Group and related parties have been at market value on normal commercial terms and conditions. This includes purchases and sales of investments as well as applications and redemptions of units.

Loans to related parties

The Trust provided a loan of GBP 94,921,655 (\$194,227,836 at an exchange rate of 2.046191) to State Infrastructure Holdings 1 Pty Ltd to fund the acquisition of the Eurobonds. The loan was drawn down on 29 January 2014.

The Trust provided an additional loan of GBP 34,551,818 (\$60,534,070 at exchange rate 1.751979) to State Infrastructure Holdings 1 Pty Ltd to fund the acquisition on additional Eurobonds. The loan was drawn down on 8th May 2017.

(e) Key management personnel

The Trust does not employ personnel in its own right. The Manager has managed the affairs of the Trust for the period reported on.

As at 30 June 2017 no key management personnel held units in the Trust.

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State Infrastructure Trust

ABN: 50 580 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

13 Related Parties

(e) Key management personnel

Payments made from the Trust to the Trustee do not include any amounts directly attributable to key management personnel remuneration.

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

No key management personnel of the Manager have entered into a material contract with the Trust during the period.

State Infrastructure Trust

ABN: 50 580 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

14 Reconciliation of profit / (loss) to net cash inflow / (outflow) from operating activities

	Consolidated		State Infrastructure Trust	
	2017	2016	2017	2016
	\$	\$	\$	\$
a) Cash and cash equivalents as at the end of the reporting period	32,136	4,218,105	-	53,871
b) Reconciliation of net profit / (loss) for the period to net cash flows from operating activities				
Profit / (loss) for the year	15,146,067	(17,474,257)	2,025,170	(11,882,021)
Cash flows excluded from profit attributable to operating activities				
Unrealised FX (gain) / loss	13,071,089	29,338,521	13,077,816	29,347,973
Realised FX (gain) / loss	831,496	115,514	829,604	114,882
Gain on investments held at fair value through profit or loss	(18,812,538)	-	-	-
Dividend	-	-	(80,000)	-
Interest revenue not received	(15,857,802)	(17,589,129)	(15,852,122)	(17,577,642)
Income tax benefits / (expenses)	5,655,093	(2,401,597)	-	-
Unrealised (gain) / loss on investment fair value adjustments	-	8,052,870	-	-
(Increase) / decrease in GST receivable	5,695	4,235	4,087	1,944
(Increase) / decrease in interest receivable	75	95	75	95
Increase / (decrease) in fees payable	-	(70,816)	1,607	(55,991)
Net foreign exchange difference	(6,342)	(3,138)	-	-
Cashflow from operations	32,833	(27,702)	6,237	(50,760)

15 Commitments and Contingencies

In the opinion of the Trustee, the Group did not have any commitments or contingencies at 30 June 2017.

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State Infrastructure Trust

ABN: 60 680 647 086

Notes to the Financial Statements

For the Year Ended 30 June 2017

16 Events Occurring After the Reporting Date

On 24 August 2017, the Trust made a distribution payment of \$14,962,954 in relation to the 2017 financial year to the unitholder (2016: \$17,461,446). The unitholder has invested the distribution amount on the same day into the Trust.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

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State Infrastructure Trust

ABN: 50 680 647 086

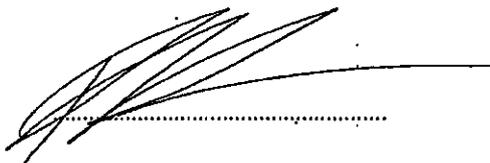
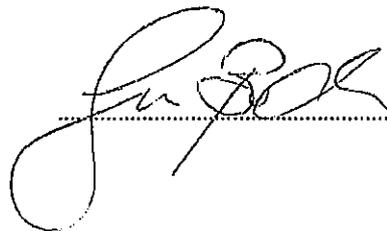
Manager Declaration

In the opinion of the Manager:

- (a) the financial statements and notes set out on page 1 to 19:
 - i) comply with the provisions of the Trust Deed and Australian Accounting Standards to the extent disclosed in Note 2 of the financial statements; and
 - ii) present fairly the Trust's financial position as at 30 June 2017 and of its performance for the period ended on that date.

- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf of New South Wales Treasury Corporation in its capacity as Manager for State Infrastructure Trust.

A handwritten signature in black ink, consisting of several overlapping, sweeping strokes, positioned above a horizontal dotted line.A handwritten signature in black ink, featuring a large, stylized initial 'J' followed by several loops and a long tail, positioned above a horizontal dotted line.

Sydney

Dated: 25/8/17

Confidential

State Infrastructure Trust

ABN: 50 580 647 086

Trustee Declaration

In the opinion of the Trustee:

- (a) the financial statements and notes set out on page 1 to 19:
 - i) comply with the provisions of the Trust Deed and Australian Accounting Standards to the extent disclosed in Note 2 of the financial statements; and
 - ii) present fairly the Trust's financial position as at 30 June 2017 and of its performance for the period ended on that date.

- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf of the Trustee.



.....

Sydney

Dated 25/8/17

VALLEY COMMERCE PTY LTD

A.C.N. 004 530 787

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Contents:	Page No.
Independent Auditor's Report to the Members	1-2
Director's Statement	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-11



INDEPENDENT AUDITOR'S REPORT

Valley Commerce Pty Ltd

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Valley Commerce Pty Ltd (the Company), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Company in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

The Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors must assess the Company's ability to continue as a going concern unless the Company will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

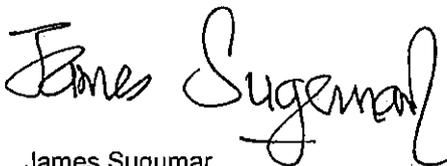
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Company carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar
Director, Financial Audit Services

27 July 2017
SYDNEY

VALLEY COMMERCE PTY LTD

A.C.N. 004 530 787

DIRECTOR'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

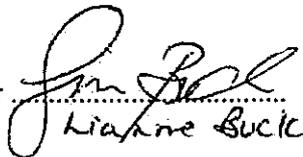
Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we declare on behalf of Valley Commerce Pty Limited that in our opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position of Valley Commerce Pty Ltd as at 30 June 2017 and financial performance for the year then ended.
2. The financial statements have been prepared in accordance with the Australian Accounting Standards including Australian Accounting Interpretations, the provisions of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 27th day of July 2017 in accordance with a resolution of the Directors.

Director

Name:  Chianne Buckle

Director

Name:  Raffi Kalederian

VALLEY COMMERCE PTY LTD
A.C.N. 004 530 787
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Revenue		-	-
Expense		<u>-</u>	<u>-</u>
Operating Result before Income Tax		-	-
Income tax expense		<u>-</u>	<u>-</u>
Result for the year		<u>-</u>	<u>-</u>
Other Comprehensive Income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

VALLEY COMMERCE PTY LTD
A.C.N. 004 530 787
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Total assets		<u>-</u>	<u>-</u>
Total liabilities		<u>-</u>	<u>-</u>
Net assets		<u>-</u>	<u>-</u>
Equity			
Contributed Equity	4	8	8
Accumulated Losses		(8)	(8)
Total equity		<u>-</u>	<u>-</u>

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

VALLEY COMMERCE PTY LTD
A.C.N. 004 530 787
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Equity at 1 July		-	-
Result for the year		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>
Transactions with equity holders in their capacity as equity holders		-	-
Total transactions with equity holders		<u>-</u>	<u>-</u>
At 30 June		<u>-</u>	<u>-</u>

The above Statement of Changes In Equity should be read in conjunction with the accompanying notes.

VALLEY COMMERCE PTY LTD

A.C.N. 004 530 787

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
Cash flows from operating activities		
Net cash flows from operating activities	-	-
Cash flows from investing activities		
Net cash flows from investing activities	-	-
Cash flows from financing activities		
Net cash flows from financing activities	-	-
Net increase/decrease in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the financial year	-	-
Cash and cash equivalents at the end of the financial year	-	-

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

VALLEY COMMERCE PTY LTD

A.C.N. 004 530 787

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017****1. Reporting Entity**

Valley Commerce Pty Ltd (the Company) is a dormant entity. It is incorporated in Australia.

The Company is 100% owned by SAS Trustee Corporation (STC) as a special purpose entity set up for the purpose of having an ability to enforce the coal royalty rights owned by STC.

The Directors have determined the Company to be a for-profit entity for financial reporting purposes.

The financial statements were authorised by the Directors on 27th July 2017.

2. Summary of Significant Accounting Policies**Basis of Accounting**

The Company's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2015*
- Australian Accounting Standards and Australian Accounting Interpretations

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest dollar and are expressed in Australian currency.

Revenue Recognition

Revenue is recognised when the entity gains control of the good or right to receive, it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably.

Employee Benefits

The Company has no employees.

Accounting Standards Issued but not yet effective

Management assessed the impact of Australian Accounting Standards and did not identify any material impact.

VALLEY COMMERCE PTY LTD

A.C.N: 004 530 787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017

Notes to the Financial Statements (continued)

3. Auditor's Remuneration

	30 June 2017 \$	30 June 2016 \$
Fee for the audit of the financial statements to the Audit Office of NSW	3,000	3,000
	<u>3,000</u>	<u>3,000</u>

Audit Fees of the Company are paid for by the parent entity – SAS Trustee Corporation (STC).

4. Contributed Equity

Contributed equity continues to represent issued capital comprising 8 shares at \$1.00 each.

VALLEY COMMERCE PTY LTD

A.C.N. 004 530 787

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017****Notes to the Financial Statements (continued)****5. Contingent Liabilities**

The Company has no contingent liabilities at 30 June 2017 (2016: nil).

6. Commitments for Capital or Lease Expenditure

The Company has no commitment for capital or lease expenditure at 30 June 2017 (2016: nil).

7. Key Management Personnel Compensation

The key management personnel of the Company during the year were the following Directors in office during the year ended 30 June 2017 and up to the date of signing these financial statements:

- Mr Raffi Kalenderian (appointed 28 November 2016)
- Ms Lianne Buck (appointed 28 November 2016)
- Ms Sara Leong (resigned 28 November 2016)
- Mr Andrew Barlass (resigned 28 November 2016)

The Directors did not receive any benefits from the Company or from any related entities in relation to the management of the Company.

8. Related Party Information

SAS Trustee Corporation owns 100% of the shares of the Company since 15 July 1997. As in prior years, there were no transactions between the Company and the parent entity except the payment of the audit and lodgement fee as below:

VALLEY COMMERCE PTY LTD

A.C.N: 004 530 787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2017

Notes to the Financial Statements (continued)

Material Assistance Provided at no cost to the Company

	30 June 2017	30 June 2016
Provided by STC:	\$	\$
• Lodgement fees	249	246
• Audit fees	3,000	3,000
	<u>3,249</u>	<u>3,246</u>

It is not practicable to reliably measure the value of assistance provided by staff of Deutsche Australia Limited or by the New South Wales Treasury Corporation from 28 November 2016 to the Company in relation to administrative, accounting and legal support.

9. Subsequent Events

Directors are not aware of any matters or circumstances that have arisen since the end of the financial year which would have a material effect on the Company's financial statements as at 30 June 2017.

End of Audited Financial Statements.

Appendix 1

Statistical information about GIPA access applications received by Mercer on behalf of State Super in 2016 - 2017

Table A: Number of applications by type of applicant and outcome*								
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public - application by legal representative	44	18	0	0	0	0	0	0
Members of the public (others)	50	11	0	0	0	0	0	0

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B

Table B: Number of applications by type of application and outcome								
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	29	94	0	0	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information and partly other	0	0	0	0	0	0	0	0

* A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	Number of Applications
Application does not comply with formal requirements (section 41 of the Act)	1
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	1
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act

	Number of times consideration used *
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	6
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of occasions when application not successful (3)
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial process and natural justice	24
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of Applications
Decided within the statutory timeframe (20 days plus any extensions)	123
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	123

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)			
	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendations under section 93 of Act	0	1	1
Review by NCAT	0	0	0
Total	0	1	1

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the Act (by type of applicant)	
	Number of Applications for review
Applications by access applicants	1
Application by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)	
	Number of Applications transferred
Agency - initiated transfers	0
Applicant - initiated transfers	0

Compliance index for disclosure requirements

In accordance with the Annual Reports (Statutory Bodies) Regulation 2015, this index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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Customer service

Between 8:30am and 5:30pm, Monday to Friday for the cost of a local call (unless calling from a mobile or pay phone).

State Authorities Superannuation Scheme (SASS)	1300 130 095
State Superannuation Scheme (SSS)	1300 130 096
Police Superannuation Scheme (PSS)	1300 130 097
Deferred benefit members	1300 130 094
Pension members	1300 652 113

Fax	02 4298 6688
Email	enquiries@stc.nsw.gov.au
Postal address	PO Box 1229 Wollongong NSW 2500

Personal interview service

Interviews are available in Mercer's Customer Service Centre in Sydney and at selected StatePlus locations.

Sydney	Refer to the 1300 numbers shown above
Parramatta	1800 620 305
Newcastle	1800 620 305
Wollongong	1800 620 305

This report contains general information. Relevant information is subject to the *State Authorities Superannuation Act 1987*, the *Superannuation Act 1916*, the *Police Regulation (Superannuation) Act 1906* and the *State Authorities Non-contributory Superannuation Act 1987* that govern the schemes mentioned in this report and those Acts will prevail to the extent of any inconsistency. In preparing the report, SAS Trustee Corporation (STC) has not taken into account your objectives, financial situation or needs and you should consider your personal circumstances and possibly seek professional advice before making any decision that affects your future. To the extent permitted by law, STC, its Board members and employees do not warrant the accuracy, reliability or completeness of the information contained in or omitted in this report. STC cannot guarantee any particular rate of return and past investment performance is not a reliable guide to future investment performance.