

AMG SUPER

ABN: 30 099 320 583

Financial Statements for the year ended
30 June 2019

AMG SUPER

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AMG SUPER
Statement of Financial Position
As at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Assets			
Cash and cash equivalents	4,13	121,883	66,099
Investment revenue receivable		12,668	7,979
Due from brokers - receivables for securities sold		4,692	913
Other receivables		971	714
Term deposits	4	7,874	4,364
Other interest bearing financial instruments	4	31,145	26,038
Shares and other securities in listed companies	4	340,330	319,395
Units in listed unit trusts	4	160,540	85,312
Units in unlisted unit trusts	4,6	552,213	318,543
Units in Pooled Superannuation Trusts	4	224	-
Direct holding of property	4	215	-
Income tax receivable		662	-
Total assets		1,233,417	829,357
Liabilities			
Payables		3,323	2,394
Due to brokers - payable for securities purchased		1,406	2,030
Current tax liabilities		-	1,174
Deferred tax liabilities	11(iv)	7,294	3,115
Total liabilities excluding member benefits		12,023	8,713
Net assets available for member benefits		1,221,394	820,644
Member benefits			
Allocated to members		1,207,910	808,894
Total net assets		13,484	11,750
Reserves			
Operational risk financial reserve	9(a)	3,217	2,130
Expense recovery reserve	9(b)	601	476
Unallocated to members	9(c)	9,666	9,144
Total reserves		13,484	11,750

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

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Income Statement

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Superannuation activities			
Interest income		1,040	643
Dividend revenue		20,852	11,384
Distribution income		25,957	13,714
Net changes in fair value of financial instruments	5	35,193	26,246
Other income		55	3
Total superannuation activities income		83,097	51,990
Investment expenses		(275)	(134)
Administration expenses		(6,647)	(3,862)
Operating expenses	12	(6,399)	(3,930)
Total expenses		(13,321)	(7,926)
Net result from superannuation activities		69,776	44,064
Profit from operating activities		69,776	44,064
Less: Net benefits allocated to members' accounts		(71,301)	(43,520)
Profit/(loss) before income tax		(1,525)	544
Income tax benefit	11(ii)	1,877	1,424
Profit after income tax		352	1,968

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

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Statement of Changes in Member Benefits

For the year ended 30 June 2019

	Note	2019	2018
	7	\$'000	\$'000
Opening balance of member benefits		808,894	544,755
Contributions:			
Employer		41,724	23,648
Member		21,702	15,733
Transfers from other superannuation plans		105,856	76,856
Successor fund transfer	10	271,183	161,954
Income tax on contributions		(6,810)	(4,026)
Net after tax contributions		433,655	274,165
Benefits to members/beneficiaries		(33,781)	(19,629)
Transfers to other superannuation plans		(73,065)	(34,124)
Insurance premiums charged to members' accounts		(6,980)	(2,521)
Death and disability benefits credited to members' accounts		3,902	2,728
Amounts allocated to members from reserves		3,984	-
Benefits allocated to members accounts, comprising:			
Net investment income		78,281	48,123
Administration fees		(6,980)	(4,603)
Closing balance of member benefits		1,207,910	808,894

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

AMG SUPER
Statement of Changes in Reserves
For the year ended 30 June 2019

	Expense reserve	Operational risk financial reserve	Unallocated to members	Total equity
Note 9	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2018	476	2,130	9,144	11,750
Net transfers to/(from) reserves	(76)	185	(109)	-
Reserve transfers from/(to) members	197	-	(4,181)	(3,984)
Successor fund transfer	1	690	4,675	5,366
Operating result	3	212	137	352
Closing balance as at 30 June 2019	601	3,217	9,666	13,484
	Expense reserve	Operational risk financial reserve	Unallocated to members	Total equity
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2017	551	1,411	5,934	7,896
Net transfers to/(from) reserves	(159)	159	-	-
Successor fund transfer	-	407	1,479	1,886
Operating result	84	153	1,731	1,968
Closing balance as at 30 June 2018	476	2,130	9,144	11,750

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

AMG SUPER
Statement of Cash Flows
For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Sales of financial instruments		397,097	324,670
Purchases of financial instruments		(454,331)	(393,238)
Interest income received		1,012	698
Dividend income received		21,286	11,049
Distribution income received		7,260	5,503
Other income received		54	3
General operating expenses paid		(13,458)	(8,114)
Investment expenses paid		(88)	(20)
Death and disability proceeds received from insurer		3,902	2,728
Insurance premiums paid		(6,915)	(2,521)
Other expenses paid		(17)	(9)
Income taxes paid		3,379	4,229
Net cash inflow (outflow) from operating activities	14(a)	(40,819)	(55,022)
Cash flows from financing activities			
Employer contributions received		41,723	23,648
Member contributions received		19,511	13,569
Net transfers from (to) other superannuation entities		37,910	46,019
Successor fund transfer		35,346	2,245
Benefit payments to members or beneficiaries		(33,797)	(19,268)
Tax paid on contributions		(4,026)	(4,026)
Unallocated deposits		(64)	57
Net cash inflow from financing activities		96,603	62,244
Net increase in cash and cash equivalents		55,784	7,222
Cash and cash equivalents at the beginning of the financial year		66,099	58,877
Cash and cash equivalents at the end of the financial year	13	121,883	66,099
Non-cash financing and investing activities	14(b)		

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

AMG SUPER

Notes to the financial statements

For the year ended 30 June 2019

1. General Information

AMG Super (ABN 30 099 320 583) (the 'Fund') was created by a Trust Deed dated 12 May 2000 as amended. The purpose of the Fund is to provide retirement benefits to its members. For the purposes of these financial statements, the Fund is a for profit entity. The Fund only consists of a defined contribution division.

The Trustee of the Fund is Equity Trustees Superannuation Limited (the 'Trustee') (ABN 50 055 641 757, AFSL 229757, RSE L0001458). The registered office of the Trustee is Level 1, 575 Bourke Street, Melbourne, VIC 3000. Both the Trustee and the Fund are domiciled in Australia and registered with the Australian Prudential Regulation Authority (APRA).

The Administrator and Promoter of the Fund is Acclaim Management Group Pty Ltd (ABN 52 091 082 058). The Asset Consultant to the Fund was Shadforth Financial Group Limited (ABN 27 127 508 472) up to 31/12/2018. TAG Asset Consulting Group Pty Ltd trading as Atchison Consultants (ABN 58 097 703 047) is now the Asset Consultant of the Fund as effective from 01/01/2019.

These financial statements cover the Fund as an individual entity. The financial statements of the Fund were authorised for issue by the directors of the Trustee on 24 September 2019.

2. Statement of significant accounting policies

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

(a) Basis of preparation

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

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

New accounting standards adopted by the Fund

AASB 9 Financial Instruments became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139.

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

AASB 15 Revenue from Contracts with Customers became effective for annual periods beginning on or after 1 January 2018. The Fund's main sources of income are interest, dividends, distributions and gains on financial instruments held at fair value through profit or loss. All of these are outside the scope of the new revenue standard. Therefore, the adoption of this standard did not have a material impact on the Fund's accounting policies nor the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2. Statement of significant accounting policies (Cont.)

(b) Financial instruments

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

(i) Recognition/derecognition

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

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

(ii) Measurement

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

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

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

(iii) 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 amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability at the same time.

(c) Derivatives

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

(d) Cash and cash equivalents

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

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Revenue recognition

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

2. Statement of significant accounting policies (Cont.)

(e) Revenue recognition (Cont.)

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

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

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

(f) Due from/to brokers

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

(g) Receivables

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

Collectability of trade receivables is reviewed regularly, and if required, the Fund always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss.

(h) Payables

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

(i) Benefits paid/ payable

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

(j) Contributions received and transfers from other funds

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

(k) Use of estimates

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

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

(l) Goods and Services Tax (GST)

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

Receivables and payables in the statement of financial position are shown inclusive of GST.

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

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

2. Statement of significant accounting policies (Cont.)

(m) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been adopted by the Fund. These standards are not expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions. In addition, the Trustee's assessment of the impact of the new standards applicable in the current year (to the extent relevant to the Fund) is set out in note 2(a).

(n) Rounding

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

(o) Comparative amounts

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, some line items in the notes to the financial statements have been amended. Comparative figures have been adjusted to conform to the current year's presentation.

3. Financial risk management

(a) Financial risk management objectives

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

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

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

(b) Market risk

(i) Price risk

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

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

	Note	30 June 2019 \$'000	30 June 2018 \$'000
Shares and other securities in listed companies		340,330	319,395
Units in Listed Unit Trusts		160,540	85,312
Units in Unlisted Unit Trusts	6	552,213	318,543
Units in Pooled Superannuation Trusts		224	-
Net exposure to price risk		<u>1,053,307</u>	<u>723,250</u>

3. Financial risk management (Cont.)

(ii) Cash flow and fair value interest rate risk

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

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

	30 June 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	121,883	-	-	121,883
Due from brokers - receivables for securities sold	-	-	4,692	4,692
Investment revenue and other receivables	-	-	13,639	13,639
Term deposits	-	7,874	-	7,874
Financial instruments	30,994	151	1,053,522	1,084,667
Financial liabilities				
Due to brokers - payable for securities purchased	-	-	(1,406)	(1,406)
Other payables	-	-	(3,323)	(3,323)
Net exposure to interest rate risk	152,877	8,025	1,067,124	1,228,026

	30 June 2018			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	66,099	-	-	66,099
Due from brokers - receivables for securities sold	-	-	913	913
Investment revenue and other receivables	-	-	8,693	8,693
Term deposits	-	4,364	-	4,364
Financial instruments	25,897	141	723,250	749,288
Financial liabilities				
Due to brokers - payable for securities purchased	-	-	(2,030)	(2,030)
Other payables	-	-	(2,394)	(2,394)
Net exposure to interest rate risk	91,996	4,505	728,432	824,933

(iii) Currency risk

Currency risk arises as the value securities denominated in foreign currencies will fluctuate due to changes in exchange rates. The Fund doesn't directly hold cash and securities denominated in foreign currencies. Therefore, the Fund's currency risk is considered low.

Summarised sensitivity analysis

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

30 June 2019	Price risk		Interest rate risk	
	-10%	+10%	-50 bps	+50 bps
	\$'000	\$'000	\$'000	\$'000
	(89,531)	89,531	(650)	650
30 June 2018	Price risk		Interest rate risk	
	-15%	+7.5%	-75 bps	+75 bps
	\$'000	\$'000	\$'000	\$'000
	(92,214)	46,107	(586)	586

3. Financial risk management (Cont.)

(c) Credit risk

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

(i) Term deposits and fixed interest securities

The Fund invests in term deposits and fixed interest securities which are rated by the Standard and Poor's Rating Agency. An analysis of term deposits and fixed interest securities by rating is set out in the below table.

	30 June 2019	30 June 2018
Rating	\$'000	\$'000
AA	24,541	21,203
A	5,636	2,919
BBB	8,156	5,602
BB	383	390
Unrated	303	288
	39,019	30,402

(ii) Settlement of securities transaction

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

(iii) Cash and cash equivalents

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

(iv) Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets. The Fund does not have any assets which are past due or impaired.

(d) Liquidity risk

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

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

Maturities of financial liabilities

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

At 30 June 2019					
	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
Due to brokers	1,406	-	-	-	1,406
Other payables	3,323	-	-	-	3,323
Member liabilities	1,207,910	-	-	-	1,207,910
At 30 June 2018					
Due to brokers	2,030	-	-	-	2,030
Other payables	2,394	-	-	-	2,394
Member liabilities	808,894	-	-	-	808,894

4. Fair value measurement

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

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values fixed interest securities held by the Fund using broker quotes, units in unit trusts using the unit price provided by the underlying fund manager.
- Level 3: one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values units in unit trusts classified as level 3 using the unit price provided by the underlying fund manager. These unit trusts hold illiquid investments such as unlisted property and private equity. The Fund classifies suspended and delisted securities that have not been actively traded at least in the last 3 months as Level 3 investments, and these securities are priced in the accounting system based on the last available price.

Recognised fair value measurements

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

At 30 June 2019				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents	121,883	-	-	121,883
Investment revenue and other receivables	13,639	-	-	13,639
Due from brokers - receivables for securities sold	4,692	-	-	4,692
Term deposits	7,874	-	-	7,874
Other interest bearing financial instruments	31,145	-	-	31,145
Shares and other securities in listed companies	339,645	-	685	340,330
Units in Listed Unit Trusts	160,540	-	-	160,540
Units in Unlisted Unit Trusts	-	552,213	-	552,213
Units in Pooled Superannuation Trusts	-	224	-	224
Direct holding of property	-	-	215	215
	679,418	552,437	900	1,232,755
Financial Liabilities				
Due to brokers - payable for securities purchased	(1,406)	-	-	(1,406)
Other payables	(3,323)	-	-	(3,323)
	(4,729)	-	-	(4,729)
At 30 June 2018				
Financial Assets				
Cash and cash equivalents	66,099	-	-	66,099
Investment revenue and other receivables	8,693	-	-	8,693
Due from brokers - receivables for securities sold	913	-	-	913
Term deposits	4,364	-	-	4,364
Other interest bearing financial instruments	26,038	-	-	26,038
Shares and other securities in listed companies	318,899	-	496	319,395
Units in Listed Unit Trusts	85,312	-	-	85,312
Units in Unlisted Unit Trusts	-	318,543	-	318,543
Units in Pooled Superannuation Trusts	-	-	-	-
Direct holding of property	-	-	-	-
	510,318	318,543	496	829,357
Financial Liabilities				
Due to brokers - payable for securities purchased	(2,030)	-	-	(2,030)
Other payables	(2,394)	-	-	(2,394)
	(4,424)	-	-	(4,424)

4. Fair value measurement (Cont.)

Movement in level 3 investments

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

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	2019	2018
	\$'000	\$'000
Opening balance at the beginning of the reporting period	496	2,091
Transfers into Level 3	639	237
Transfers out of Level 3	(235)	(1,832)
Closing balance at the end of the reporting period	900	496

Valuation inputs and relationships to fair value

The Fund's level 3 investments comprise direct holding of property, units in unit trusts which hold illiquid investments such as unlisted property and private equity and equity securities which have been suspended from the ASX. The following table summarises the quantitative information about the significant unobservable inputs used by the Trustee in level 3 fair value measurements.

Description	Fair value at 30 June \$'000	Unobservable inputs	Relationship of unobservable inputs to fair value
2019			
Equity Securities - Australian	685	Unquoted market price	Higher (lower) unquoted market price (+/-10%) would increase/ (decrease) fair value by \$68,500.
Direct holding of property	215	Recent market transactions	Higher (lower) market price (+/-10%) would increase/ (decrease) fair value by \$21,500.
<hr/>			
2018			
Equity Securities - Australian	496	Unquoted Market price	Higher (lower) unquoted market price (+/-10%) would increase/ (decrease) fair value by \$49,600.
Direct holding of property	-	Recent market transactions	

Valuation process

The Trustee reviews valuations of the financial instruments required for financial reporting purposes, including level 3 fair values. Changes in level 2 and level 3 fair values are analysed at each reporting date by the Trustee.

5. Net changes in fair value of financial instruments

Net changes in financial assets and liabilities measured at fair value:

	2019	2018
	\$'000	\$'000
Other interest bearing financial instruments	801	(294)
Shares and other securities in listed companies	3,023	19,321
Units in listed unit trusts	9,393	3,239
Units in unlisted unit trusts	21,959	3,980
Units in Pooled Superannuation Trusts	17	-
	35,193	26,246

6. Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

The Fund considers all investments in managed investment schemes (funds) to be structured entities. The Fund invests in underlying managed funds for the purpose of capital appreciation and or earning investment income.

The investee funds' objectives are to achieve medium to long term capital growth. The investee funds invest in a number of different financial instruments, including equities and debt instruments.

The exposure to investments in investee funds at fair value, by investment strategy, is disclosed below:

	30 June 2019	30 June 2018
	\$'000	\$'000
Australian cash funds	86,223	70,137
Australian equity funds	179,843	90,754
Australian fixed interest funds	63,834	19,254
Australian property funds	30,422	12,904
International equity funds	124,353	88,552
International fixed interest funds	48,278	27,395
International property funds	19,260	9,547
	552,213	318,543

The fair value of financial assets amounting to \$552,213,000 (2018: \$318,543,000) is included under units in unlisted unit trusts in the statement of financial position.

The Fund's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in the investee funds.

During the year the Fund earned fair value gains and distribution income as a result of its interests in other funds.

7. Member liabilities

(a) Recognition and measurement of member liabilities

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

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

(b) Defined contribution member liabilities

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

As at 30 June 2019, the net assets attributable to defined contribution members have been substantially allocated. Unallocated amounts are shown in the statement of financial position as "Unallocated to members" within reserves.

8. Insurance arrangements

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

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

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

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

9. Reserves

(a) Operational risk financial reserve

The operational risk financial reserve (ORFR) may be used in certain circumstances to address operational risk events or claims against the Fund arising from operational risk.

The Trustee has assessed an ORFR target amount of 0.25% of the Fund's net assets available for member benefits as appropriate for the Fund. As at 30 June 2019, the target amount has been met.

(b) Expense recovery reserve

The Expense recovery reserve has been established for the purpose of meeting the Fund's operating costs.

(c) Unallocated to members

This reserve is utilised by the Fund to capulate the difference between the amounts allocated to members as at the end of the financial year and the net assets of the Fund. It includes the amount which will be utilised by the Fund in regards to any future income or tax credits arising from the completion of the tax position following the year end. This income will be allocated to members during the course of the following years.

10. Transfer from successor fund

In the 2019 financial year, the Fund received one successor fund transfer (2018: One SFT during that year). The assets and liabilities which were transferred from the successor fund have been valued in accordance with the Fund's accounting policies.

Name of the successor fund	Transfer date	Net asset value \$'000
Freedom of Choice, a sub fund of The Executive Superannuation Fund (ABN 60 998 717 367)	1-Nov-18	276,105

The transfer has resulted in following movements in member liabilities and reserves of the Fund:

Allocated to members (member liabilities)	271,183
Expense reserve	1
ORFR	690
Unallocated to members (reserve)	4,231
Total	276,105

11. Income tax

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

(i) Accounting policy

Under the Income Tax Assessment Act 1997, the Fund is a complying superannuation fund. As such, a concessional tax rate of 15% is applied on net investment earnings with deductions allowable for administrative and operational expenses. Financial assets held for less than 12 months are taxed at the Fund's rate of 15%. For financial assets held for more than 12 months, the Fund is entitled to a further discount on the tax rate leading to an effective tax rate of 10% on any gains/(losses) arising from the disposal of investments.

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

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

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

(ii) Income tax expense/(benefit)

	2019 \$'000	2018 \$'000
<i>Current tax</i>		
Current tax expense/(benefit) on profits/(losses) for the year	(5,651)	(2,844)
Tax credits from anti-detriment payments	-	(44)
Adjustments for current tax of prior periods	(223)	(240)
Total current tax expense/(benefit)	(5,874)	(3,128)
<i>Deferred income tax</i>		
Increase in deferred tax liabilities	3,997	1,704
Income tax expense/(benefit)	(1,877)	(1,424)

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

	2019 \$'000	2018 \$'000
Profit from operating activities	69,776	44,064
Tax at the Australian rate of 15% (2018 – 15%)	10,466	6,610
Increase/(decrease) in income tax expense due to:		
Discount on capital gains	(128)	(1,494)
Other non-assessable income	(338)	(29)
Non-deductible expenses	121	2
Tax benefit from insurance premiums	(1,047)	(378)
Imputation credits	(8,614)	(4,965)
Tax on exempt pension income	(2,114)	(886)
Anti-detriment payments	-	(44)
Adjustments for current tax of prior periods	(223)	(240)
Income tax expense/(benefit)	(1,877)	(1,424)

In addition to the above \$6,810,000 (2018: \$4,026,000) is recognised in the statement of changes in member benefits relating to tax on contributions deducted from member accounts.

11. Income tax (Cont.)*(iv) Deferred tax balances*

The balance comprises temporary differences attributable to:

	2019	2018
	\$'000	\$'000
<i>Deferred tax assets</i>		
Other payables	48	21
Total deferred tax assets	48	21
<i>Deferred tax liabilities</i>		
Financial assets measured at fair value through profit or loss	7,223	2,933
Other receivables	119	203
Total deferred tax liabilities	7,342	3,136
Net deferred tax assets/(liabilities)	(7,294)	(3,115)

12. Other items**(a) Other operating expenses**

	Note	2019	2018
		\$'000	\$'000
Trustee fees and reimbursements	17 (a)	1,034	650
Audit fees		89	98
Advisers/agents fee		4,903	2,906
Other general operating expenses		373	276
		6,399	3,930

(b) Sponsorship and advertising

In addition, the Trustee/Promoter paid a total amount of \$43,797 (2018: \$12,237) in relation to advertising and sponsorship for the Fund.

13. Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Cash at bank - Operation accounts	16,282	11,649
Cash at bank - CMA accounts	105,601	54,450
	121,883	66,099

14. Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	2019	2018
	\$'000	\$'000
(a) Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities		
Profit after income tax	352	1,968
Adjustments for:		
Sales of financial assets	397,097	324,670
Purchases of financial assets	(454,331)	(393,238)
Trust distributions reinvested	(13,640)	(5,916)
Death and disability proceeds received from insurer	3,902	2,728
Insurance premiums	(6,915)	(2,521)
Net changes in fair value of financial instruments	(35,193)	(26,246)
Net benefits allocated to defined contribution members	71,301	43,520
Change in operating assets and liabilities		
(Increase)/decrease in receivables	620	(303)
(Increase)/decrease in trust distributions receivable	(5,213)	(2,340)
(Increase)/decrease in input tax credits	(61)	(21)
Increase/(decrease) in deferred tax liabilities	3,998	1,704
Increase/(decrease) in income taxes payable	(2,496)	1,101
Increase/(decrease) in payables	(240)	(128)
Net cash (outflow) from operating activities	<u>(40,819)</u>	<u>(55,022)</u>

b) Non-cash financing and investing activities

There was an amount of \$271,182,764 non-cash transactions transferred from Freedom of Choice, a sub fund of The Executive Superannuation Fund via in-specie transfer during the successor fund transfer. This does not have a direct impact on the current cash flows.

15. Commitments

There are no commitments the Trustee is aware of as at 30 June 2019 and 30 June 2018.

16. Contingent liabilities and contingent assets

There are no outstanding contingent assets or liabilities as at 30 June 2019 and 30 June 2018.

17. Related party transactions

(a) Trustee

The Trustee of AMG Super is Equity Trustees Superannuation Limited (ABN 50 055 641 757, AFSL 229757, RSE L0001458). Amounts paid to the trustee in form of fees and reimbursements are disclosed in note 12(a).

As at 30 June 2019, \$104,405 (30 June 2018: \$94,543) was payable to the trustee and is included in payables in the statement of financial position.

(b) Directors of the Trustee

Key management personnel for the Fund includes persons who were directors of the Trustee at any time during the reporting period and up to the date of this report as follows:

Mr Michael O'Brien (Managing Director)

Ms Catherine Robson (Non-Executive Director)

Mr Anthony Jude Lally (Non-Executive Director, Chairman)

Mr Ellis Varejes (Non-Executive Director)

Mr Mark Blair (Executive Director)

Ms Susan Granville Everingham (Non-Executive Director, effective from 15 February 2019)

Mr Paul Douglas Rogan (Non-Executive Director, effective from 27 August 2019)

None of the above directors of the Trustee are members of the Fund.

17. Related party transactions (Cont.)

(c) Other key management personnel

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

(d) Key management personnel compensation

There have been no transactions between the Trustee and the Fund other than the trustee fees disclosed in note 12. The directors of the Trustee do not receive remuneration directly from the Fund.

(e) Other entities with significant influence over the Fund

Promoter and administrator

Acclaim Management Group Pty Ltd (ABN 52 091 082 058) (AFSL 305604) is the promoter and administrator for the Fund. Under the terms of the Promoter Agreement and the Administration Agreement, Acclaim Management Group Limited is entitled to receive compensation for services provided to the Fund.

Remuneration of the promoter and administrator

The compensation received or due and receivable by the Promoter and Administrator from the Fund in connection with services provided to the Fund was \$6,646,708 (2018: \$3,861,805). This is as disclosed in the income statement of the Fund.

As at 30 June 2019, \$795,721 (30 June 2018: \$682,053) was payable to the Promoter and Administrator and is included in payables in the statement of financial position.

Members that have elected to invest in the direct share trading option, have a Cash Management Account (CMA) that is used to facilitate the settlement of ASX trades. An Indirect Cost Ratio (ICR) amount of 0.90%pa (2018: 0.90%pa) is calculated on members' CMA balances and deducted from the interest earned on the accounts before the balance of the interest income is credited to the accounts, as part of the administration fees due from members. The ICR calculated is payable by the CMA providers to the Promoter. For the 2019 financial year, the Promoter received a total amount of \$519,586 revenue paid directly from the CMA providers (2018: \$451,809).

Investments

The Fund held investments in the following schemes which are managed by DDH Graham Limited (ABN 28 010 639 219) (AFSL 226319). Investments are disclosed in the statement of financial position.

DDH Graham Limited is a related party to the Promoter.

	Net market value of investments		Interest held	
	2019 \$'000	2018 \$'000	2019 %	2018 %
Investment held				
DDH Advantage Cash Fund	56,904	48,848	100.00	100.00
DDH Cash Fund	8,469	8,087	16.26	15.52
DDH Fixed Interest Fund	321	266	16.17	13.40
DDH Preferred Income Fund	1,192	1,095	1.34	1.23
Selector Australian Equities Fund	2,267	1,764	48.37	37.64
	69,153	60,060		

Other Assets

Cash accounts managed by DDH Graham Limited were valued at \$75,998,311 (2018: \$54,450,111).

18. Remuneration of auditors

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

	2019 \$	2018 \$
Deloitte		
Audit and review of financial statements and regulatory audit services (Including audit and review of annual APRA returns)	88,825	-
	<hr/> 88,825 <hr/>	<hr/> - <hr/>
PricewaterhouseCoopers		
Audit and review of financial statements and regulatory audit services	-	79,973
Audit and review of annual APRA returns	-	18,120
	<hr/> - <hr/>	<hr/> 98,093 <hr/>
Total auditors' remuneration	<hr/> 88,825 <hr/>	<hr/> 98,093 <hr/>

In addition to total auditors' remuneration above, \$10,633 (2018: \$11,809) was reimbursed to the Trustee after 30 June 2019 in relation to the 2019 audit and review of the risk management framework. This audit service was provided by Deloitte.

19. Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as at 30 June 2019 or on the results and cash flows of the Fund for the year ended on that date.

TRUSTEE'S DECLARATION TO MEMBERS

In the opinion of the directors of the Trustee of AMG Super:

1. The accompanying Financial Statements and notes set out on pages 3 to 22 are in accordance with:
 - Australian Accounting Standards and other mandatory professional reporting requirements, and
 - present fairly the Fund's financial position as at 30 June 2019 and of its performance for the financial year ended on that date
2. The Fund has been conducted in accordance with its constituent Trustee Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and its accompanying Regulations; the relevant requirements of the Corporations Act 2001 and Regulations; the requirements under section 13 of the Financial Sector (Collection of Data) Act 2001, during the year ended 30 June 2019, and
3. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of Equity Trustees Superannuation Limited as Trustee for the AMG Super.



Director

Melbourne

24 September 2019

Report by the RSE Auditor to the trustee and members of AMG Super (ABN 30 099 320 583)

Opinion

We have audited the financial statements of AMG Super for the year ended 30 June 2019 as set out on pages 1 to 23 attached.

In our opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of AMG Super as at 30 June 2019 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2019.

Basis for opinion

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the trustee for the Financial Statements

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

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



DELOITTE TOUCHE TOHMATSU



James Oliver
Partner
Chartered Accountants
Melbourne, 24 September 2019