

CARE Super

30 June 2017 Financial Statements New Accounting Standard

The attached Financial Statements for the year ended 30 June 2017 have been prepared in accordance with a new Accounting Standard AASB 1056 *Superannuation Entities* which commenced from 1 July 2016. Therefore, they look quite different to the accounts in prior years.

AASB 1056 replaced the existing Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans*. The comparative figures for 30 June 2016 have been reformatted into the AASB 1056 disclosure and have been audited.

The main changes of the new accounting standard are as follows:

Requirement	30 June 2016	30 June 2017
Five primary financial statements	3 statements: <ul style="list-style-type: none">- Statement of Financial Position- Operating Statement- Statement of Cash Flows	5 statements: <ul style="list-style-type: none">- Statement of Financial Position- Income Statement- Statement of Changes in Equity- Statement of Cash Flows- Statement of Changes in Member Benefits
Assets and liabilities measured at fair value	Valued at Net Market Value (net of transaction and disposal costs)	Valued at Fair Value (gross of transaction and disposal costs)
Sponsorship and advertising expenses	Listed under Operating Expenses	Prescribed listing of expense categories including advertising and sponsorships.
Insurance arrangements	N/A	Trustee determined that CareSuper is not acting in the capacity of an insurer therefore changes required are limited.

Further information on the changes can be found in Note 2(b) of the attached Financial Statements.

CARE Super
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

CARE Super
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CARE Super
Statement of Financial Position
As at 30 June 2017

	Note	2017 \$ '000	2016 \$ '000
Assets			
Cash and cash equivalents	12	111,720	50,791
Receivables	5	264	822
Financial Assets			
Cash & short term deposits		1,494,882	1,165,035
Capital guaranteed		76,945	78,100
Australian shares		2,720,620	2,249,574
Overseas shares		3,239,244	2,638,931
Alternatives		3,172,585	3,005,652
Fixed interest		826,316	814,223
Property		1,607,879	1,362,716
Derivative assets		2,767,017	2,881,745
Property, plant and equipment	6	1,329	1,344
Capitalised expenses		42	574
Deferred tax assets	10	1,551	2,281
Total assets		16,020,394	14,251,788
Liabilities			
Payables	7	(11,645)	(9,178)
Income tax payable		(28,672)	(36,113)
Deferred tax liabilities	10	(211,131)	(151,595)
Financial Liabilities		(2,720,899)	(2,888,083)
Total liabilities excluding member benefits		(2,972,347)	(3,084,968)
Net assets available for member benefits		13,048,047	11,166,820
Member benefits			
Allocated to members		(12,892,523)	(11,042,549)
Unallocated to members		(4,332)	(2,009)
Total member liabilities	3	(12,896,855)	(11,044,558)
Net assets		151,192	122,263
Equity			
Other reserves		(113,625)	(89,315)
Operational risk reserve		(37,567)	(32,948)
Total equity		(151,192)	(122,263)

The above statement of financial position should be read in conjunction with the accompanying notes.

CARE Super
Income Statement
For the year ended 30 June 2017

	Note	2017 \$ '000	2016 \$ '000
Superannuation activities			
Interest		35,201	35,182
Dividends and distributions		546,297	643,542
Net changes in fair value of financial instruments	8	840,312	(203,067)
Other investment income		12,819	19,249
Other income		1,806	1,072
Total superannuation activities income		1,436,435	495,978
Investment expenses		(28,087)	(19,582)
Administration expenses		(14,643)	(12,194)
Operating expenses	18	(27,623)	(26,148)
Total expenses		(70,353)	(57,924)
Result from superannuation activities before income tax expense		1,366,082	438,054
Income tax expense	10	102,024	12,347
Result from superannuation activities after income tax expense		1,264,058	425,706
Net benefits allocated to members' accounts		(1,235,130)	(398,362)
Operating result after income tax		28,928	27,344

The above income statement should be read in conjunction with the accompanying notes.

CARE Super
Statement of Changes in Member Benefits
For the year ended 30 June 2017

	Note	2017 \$ '000	2016 \$ '000
Opening balance of member benefits		11,044,558	10,242,640
Contributions:			
Employer		713,808	636,922
Member		257,319	151,934
Transfer from other superannuation plans		459,349	347,936
Government co-contributions		1,627	1,669
Income tax on contributions		(94,314)	(83,446)
Net after tax contributions		1,337,789	1,055,016
Benefits paid to members/beneficiaries		(720,943)	(644,482)
Insurance premiums charged to members' accounts		(82,673)	(77,690)
Death and disability insurance entitlements credited to members' accounts		82,994	70,711
Benefits allocated to members' accounts, comprising:			
Net investment income		1,272,339	436,275
DIO share movement		4,469	1,222
Administration fees		(41,678)	(39,135)
Closing balance of member benefits		12,896,855	11,044,558

The above statement of changes in member benefits should be read in conjunction with the accompanying notes.

CARE Super
Statement of Changes in Reserves
For the year ended 30 June 2017

	Other reserves \$ '000	Operational risk reserve \$ '000	Total equity \$ '000
Opening balance as at 1 July 2016	89,315	32,948	122,263
Net transfers to/from reserves	(4,618)	4,618	-
Operating result	28,928	-	28,928
Closing balance as at 30 June 2017	113,625	37,566	151,192

	Other reserves \$ '000	Operational risk reserve \$ '000	Total equity \$ '000
Opening balance as at 1 July 2015	63,674	31,245	94,919
Net transfers to/from reserves	(1,703)	1,703	-
Operating result	27,344	-	27,344
Closing balance as at 30 June 2016	89,315	32,948	122,263

The above statement of changes in reserves should be read in conjunction with the accompanying notes.

CARE Super
Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 \$ '000	2016 \$ '000
Cash flows from operating activities			
Interest received		35,201	757
Insurance proceeds (inwards)		82,809	71,527
Other general administration expenses		(41,023)	(39,150)
Other investment income		171	285
Insurance premiums (outwards)		(78,925)	(77,499)
Income tax paid		(49,197)	3,066
Sale/(Purchase) of fixed assets		400	853
Net cash inflow/(outflow) from operating activities	12	(50,564)	(40,162)
Cash flows from investing activities			
Purchase of investments		(520,228)	(390,230)
Proceeds from sale of investments		14,875	29,886
Net cash inflow/(outflow) from investing activities		(505,353)	(360,343)
Cash flows from financing activities			
Employer contributions		713,808	659,935
Member contributions		257,319	151,934
Transfers from other superannuation plans received		459,349	347,936
Government co-contributions received		1,627	1,669
Benefits paid to members		(720,943)	(666,800)
Income tax paid on contributions received		(94,314)	(83,446)
Net cash inflow/(outflow) from financing activities		616,846	411,228
Net increase/(decrease) in cash		60,929	10,722
Cash at the beginning of the financial period		50,791	40,069
Cash at the end of the financial period	12	111,720	50,791

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. Operation of the Fund

CARE Super is an accumulation style fund and was established by Trust Deed dated 18 December 1986. Under the terms of the Fund's declaration of trust CARE Super Pty Ltd (A.B.N. 91 006 670 060) is appointed trustee. CARE Super Pty Ltd is a company limited by shares that is incorporated and domiciled in Australia. The registered office of CARE Super Pty Ltd is located at Level 18, 31 Queen Street, Melbourne, Victoria, Australia. The members' accounts are credited or debited each year with contributions and their proportionate share of the net investment income, expenses, and income tax expense of the Fund.

In accordance with the amendments to the *Superannuation Industry (Superannuation) Act 1993* the Fund was registered with the Australian Prudential Regulation Authority on 18 December 1986 (Registration number 125703943).

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and other interpretations issued by the Australian Accounting Standards Board, the *Superannuation Industry (Supervision) Act 1993 and Regulations* and the provisions of the Trust Deed.

The financial statements are presented in Australian dollars.

The Fund is a not-for-profit entity for the purpose of preparing financial statements.

The financial statements were authorised for issue by the Board of Directors of the trustee on 19 September 2017.

(b) Adoption of AASB 1056

The Fund's reported financial position and results of operations were affected by the adoption of AASB 1056 *Superannuation Entities*. The Fund adopted AASB 1056 on 1 July 2016 which resulted in the following:

- the presentation format of the financial statements changed from three primary financial statements to five as follows:
 - statement of financial position
 - income statement
 - statement of changes in member benefits
 - statement of changes in equity
 - statement of cash flows
- the measurement of assets and financial liabilities changed from 'net market value' to 'fair value'. There are no material valuation differences as a result of measurement of assets and financial liabilities changing from 'net market value' to 'fair value'.
- member benefits are recognised as liabilities rather than equity
- contributions, rollovers and other inward transfers and benefits paid to members are not income or expenses but are instead presented in the statement of changes in member benefits

As part of the transition to AASB 1056, the Trustee also had to determine whether the Fund is exposed to material insurance risk in relation to members' insurance benefits. No material risk was identified, therefore insurance premiums are no longer recognised as an expense. Refer to note 16 for further information.

As required by AASB 1056 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the Fund applied the new accounting standard retrospectively from the start of the comparative period beginning 1 July 2015.

As a result the Fund has restated amounts previously reported under AAS 25 *Financial Reporting by Superannuation Plans* ('AAS 25') for the year ended 30 June 2016.

2. Summary of significant accounting policies (continued)

(b) Adoption of AASB 1056 (continued)

The adoption of AASB 1056 had the following impact on the statement of financial position at the transition date of 1 July 2016 for the year ended 30 June 2016:

Description	As previously reported as at 30 June 2016 \$ '000	Transition Adjustment \$ '000	Restated total as at 30 June 2016 \$ '000
Financial Assets			
Change in measurement from net market value to fair value:			
	14,175,439	20,537	14,195,976
Receivables			
Derecognition of contributions receivable	23,492	(23,492)	-
Payables			
Derecognition of benefits payable	(19,282)	19,282	-
Member benefits			
Member benefits recognised as liabilities rather than equity:			
Member liabilities	-	11,044,558	11,044,558
Equity			
Member benefits recognised as liabilities rather than equity:			
Member liabilities	11,044,558	(11,044,558)	-

The adoption of AASB 1056 had the following impact on the income statement at the transition date of 1 July 2016 for the year ended 30 June 2016:

Description	As previously at 30 June 2016 \$ '000	Transition Adjustment \$ '000	Restated total as at 30 June 2016 \$ '000
Profit before income tax previously reported	1,570,864	-	1,570,864
Change in measurement from net market value to fair value:			
Changes in assets measured at fair value		20,537	20,537
Contributions, rollovers and other inward transfers and benefits paid to members are transferred to the statement of changes in member benefits:			
Employer contributions		(660,102)	(660,102)
Member contributions		(152,162)	(152,162)
Transfers from other superannuation funds		(347,936)	(347,936)
Government co-contributions		(1,669)	(1,669)
Anti-detriment expenses		1,536	1,536
Insurance premiums		77,690	77,690
Death and disability insurance entitlements		(70,711)	(70,711)
Profit from operating activities	1,570,864	(1,132,819)	438,045
Benefits allocated to members accounts		(398,362)	(398,362)
Profit/(loss) before income tax	1,570,864	(1,531,181)	39,683
Income tax expense/(benefit)	97,743		97,743
Income tax expense on unallocated contributions receivable		(3,490)	(3,490)
Anti-detriment expenses included in income tax expense		1,536	1,536
Surcharge tax		(3)	(3)
Income tax on contributions transferred to the statement of changes in member benefits		(83,446)	(83,446)
Sub-total	97,743	(85,404)	12,339
Operating result after income tax	1,473,122	(1,445,778)	27,344

2. Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

AASB 9 Financial Instruments (and applicable amendments), (effective from 1 January 2018)

AASB 9 addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. AASB 9 introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The Trustee does not expect this to have a significant impact on the Fund's financial instruments as they are carried at fair value through profit and loss.

The Fund has not yet decided when to adopt AASB 9.

Other Significant Accounting Policies

(d) Consolidation

The Fund is an investment entity and, as such, does not consolidate the entities it controls.

(e) Financial assets and liabilities

(a) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

Financial assets and liabilities held for trading:

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Fund do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Fund.

Financial instruments designated at fair value through profit or loss upon initial recognition:

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category short term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

(b) Recognition

The Fund recognises a financial asset or financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, ie., the date that the Fund commits to purchase or sell the asset.

(c) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- i. The rights to receive cash flows from the asset have expired; or
- ii. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- iii. Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

2. Summary of significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(d) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in income statement.

Receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the income statement, unless specified otherwise.

(e) Subsequent measurement

After initial measurement, the Fund measures investments and derivatives at fair value through the income statement. Subsequent changes in the fair value of those investments are recorded as 'net changes in fair value of financial instruments' through the income statement. Interest earned is recorded in 'Interest revenue' according to the terms of the contract. Dividend revenue is recorded in 'Dividend revenue'.

(f) Fair value measurement

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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measure or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to Note 4.

(g) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents in the Statement of Financial Position comprises cash at bank.

(h) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is objective evidence that the debt will not be collected. Objective evidence may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Payables are carried at nominal amounts which are approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled on 30 day terms.

(i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, ranging from three to ten years.

2. Summary of significant accounting policies (continued)

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in fair value

Changes in the fair value of investments and derivatives are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

Interest

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and is recognised in the income statement.

Dividends and distributions

Dividend and distribution revenue is recognised when the Fund's right to receive payment is established. Revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately as tax expense in the income statement.

Group Life Insurance Proceeds

Insurance claim amounts are recognised where the insurer has agreed to pay the claim lodged and has transferred the claim amount to the Fund.

(k) Income tax

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

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

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

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

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

2. Summary of significant accounting policies (continued)

(m) Foreign currency

The functional and presentation currency of the Fund is Australian Dollars, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, are recognised in the income statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(n) Member liabilities

Member liabilities are measured at the amount of accrued benefits. Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

(o) Reserves

The Fund retains a reserve comprising net income not distributed at balance date. Funds are held in and disbursed from two separate reserve sub-accounts as follows: General Reserve and the Operational Risk Reserve. Investment earnings are held in the reserve accounts during each financial year. The reserves ensure that, as far as possible, funds are available to provide for any operational error or other unforeseen events that would require members to be compensated beyond the normal unit pricing methodology, or to meet additional and unanticipated tax obligations.

The Reserves are intended to cover administration, operational and capital expenditure requirements. The target range is 70 basis points (inclusive of the Operational Risk Financial Requirement target of 30 basis points).

The purpose of the Operational Risk Reserve is to provide protection to the Fund in the event that a loss is incurred from an operational risk event occurring. The use of the Operational Risk Reserve is governed by the requirements of *SPS 114 Operational Risk Financial Requirement*, which is applicable to all APRA-regulated funds.

The purpose of the General Reserve is to cover expenses and any small mismatch of assets and liabilities due to timing of investments and liquidation of investments not met by fee deductions from members. The General Reserve is to cover administration, operational and capital expenditure requirements.

Transfers in and out of the reserves are made only at the authorisation of the Trustee and in accordance with the Fund's Reserve Policy.

(p) 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 unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to note 4 for details.

(q) Rounding of amounts

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

CARE Super
Notes to the Financial Statements
For the year ended 30 June 2017

3. Member liabilities

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

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

The defined contribution members bear the investment risk relating to the underlying investment options. Unit prices used to measure defined contribution member liabilities are updated each week for movements in investment values. As at 30 June 2017, the net assets attributable to defined contribution members have been substantially allocated. Net investment income not yet allocated to members forms part of the balance in the General Reserve, shown in the statement of financial position within equity.

Refer to Note 15 for the Fund's management of the investment risks.

Member liabilities vest 100% to members.

	2017 \$ '000	2016 \$ '000
Members liability at end of the financial year	12,896,855	11,044,558
As compared to net assets available to pay benefits	13,048,047	11,166,820

4. Fair value of financial instruments

(a) Classification of financial instruments under the fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- 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 and OTC derivatives using valuation models.

- 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 level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

Types of assets/liabilities	30 June 2017			Total \$ '000
	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	
Assets				
Cash and Short Term Deposits	645,137	961,465	-	1,606,602
Capital Guaranteed	76,945	-	-	76,945
Australian Shares	2,692,273	28,065	282	2,720,620
Overseas Shares	1,195,806	2,043,438	-	3,239,244
Alternatives	69,740	3,045,072	57,773	3,172,585
Fixed Interest	5,432	818,270	2,614	826,316
Property	40,545	1,567,334	-	1,607,879
Derivative Assets	611	2,766,406	-	2,767,017
Total Assets	4,726,489	11,230,050	60,669	16,017,208
Liabilities				
Derivative Liabilities	1,046	2,719,853	-	2,720,899
Total Liabilities	1,046	2,719,853	-	2,720,899

4. Fair value of financial instruments (continued)

(a) Classification of financial instruments under the fair value hierarchy (continued)

Types of assets/liabilities	30 June 2016			Total \$ '000
	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	
Assets				
Cash and Short Term Deposits	478,515	737,311	-	1,215,826
Capital Guaranteed	78,100	-	-	78,100
Australian Shares	2,226,101	23,435	38	2,249,574
Overseas Shares	643,923	1,995,008	-	2,638,931
Alternatives	157,601	2,749,907	98,144	3,005,652
Fixed Interest	-	814,223	-	814,223
Property	17,452	1,345,264	-	1,362,716
Derivative Assets	3,132	2,878,613	-	2,881,745
Total Assets	3,604,824	10,543,761	98,182	14,246,767
Liabilities				
Derivative Liabilities	1,400	2,886,683	-	2,888,083
Total Liabilities	1,400	2,886,683	-	2,888,083

Valuation technique

Listed equities

When fair values of publicly traded equity securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Fund values these investments at bid price for long positions and ask price for short positions.

Unlisted unit trusts

The Fund invests in these trusts which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. The Fund considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Fund classifies these funds as either Level 2 or Level 3.

4. Fair value of financial instruments (continued)

(a) Classification of financial instruments under the fair value hierarchy (continued)

Valuation technique (continued)

Derivative assets and liabilities

The Fund uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

Valuation process for Level 3 valuations

Valuations are the responsibility of the board of directors of the Trustee.

For financial instruments classified in Level 3 in the fair value hierarchy some of the inputs to the valuation models are unobservable and therefore subjective in nature. The use of reasonably possible alternative assumptions could produce a different fair value measurement.

(b) Level 3 reconciliation

30 June 2017	Australian Shares \$ '000	Alternatives \$ '000	Fixed Interest \$ '000	Total \$ '000
Opening balance	38	98,144	-	98,182
Transfers into / (out of) Level 3	-	-	-	-
Purchases/(sales)	834	(23,699)	2,646	(20,219)
Gains/(losses)	(590)	(16,672)	(32)	(17,294)
Closing Balance	282	57,773	2,614	60,669

30 June 2016	Australian Shares \$ '000	Alternatives \$ '000	Fixed Interest \$ '000	Total \$ '000
Opening balance	38	108,397	-	108,435
Transfers into / (out of) Level 3	-	9,747	-	9,747
Purchases/(sales)	-	(20,000)	-	(20,000)
Gains/(losses)	-	-	-	-
Closing Balance	38	98,144	-	98,182

(c) Transfers Between Hierarchy Levels

There have been no significant transfers between Level 1 and Level 2, nor between Level 2 and Level 3 of the fair value hierarchy during the financial year.

5. Receivables

	2017 \$ '000	2016 \$ '000
Recoverable within 12 months		
GST receivable	255	804
Sundry receivables	9	18
	264	822

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Information regarding credit risk exposure is set out in Note 15.

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6. Property, plant and equipment

	2017 \$ '000	2016 \$ '000
Opening net written down value	1,344	1,352
Additions	262	446
Depreciation	(277)	(454)
Closing net written down value	<u>1,329</u>	<u>1,344</u>

7. Payables

	2017 \$ '000	2016 \$ '000
Due within 12 months		
Insurance premiums payable	7,901	5,981
Audit fees payable	97	58
Operating expenses payable	1,084	1,048
Administration expenses payable	1,341	1,033
Provision for employee benefits	878	703
Sundry creditors	125	111
Due later than 12 months		
Provision for employee benefits	219	244
	<u>11,645</u>	<u>9,178</u>

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 15.

8. Changes in fair value of investments

	2017 \$ '000	2016 \$ '000
Investments held at balance date		
Cash and short term deposits	39,943	(3,000)
Australian shares	210,649	(95,038)
Overseas shares	300,723	(182,970)
Alternatives	54,819	52,822
Fixed interest	(12,053)	6,335
Property	123,576	109,592
Total unrealised gains/(losses)	<u>717,657</u>	<u>(112,259)</u>
Investments realised during the year		
Cash and short term deposits	64,845	(8,903)
Australian shares	40,733	(19,890)
Overseas shares	8,863	(82,410)
Alternatives	15,290	24,261
Fixed interest	(7,076)	(3,866)
Property	-	-
Total realised gains/(losses)	<u>122,655</u>	<u>(90,808)</u>
Change in fair value of investments	<u>840,312</u>	<u>(203,067)</u>

The amounts recorded as 'realised gains/(losses)' above is the difference between the fair value at sale and the carrying amount at the beginning of the reporting period or when acquired, if acquired during the year.

9. Funding arrangements

The Fund provides for payment of contributions by employers at agreed rates. Employees are also able to make voluntary contributions. Transfers in during the year amounted to \$459,348,737 (2016: \$347,936,446).

CARE Super
Notes to the Financial Statements
For the year ended 30 June 2017

10. Income tax

	2017 \$ '000	2016 \$ '000
(a) Major components of income tax expenses for the years ended 30 June 2017 and 2016:		
Income statement		
Current tax expense		
Current tax charge	45,523	31,830
Adjustments in respect of current income tax of previous years	(3,765)	(4,675)
Deferred tax		
Relating to origination and reversal of temporary differences		
Deferred tax assets	730	1,037
Deferred tax liabilities	59,536	(15,845)
Total tax expense as reported in the income statement	<u>102,024</u>	<u>12,347</u>

(b) Reconciliation between income tax expenses and the accounting profit before income tax

Result from superannuation activities before income tax expense	1,366,082	438,054
Income tax at 15%	204,912	65,708
Capital (gains)/losses not (assessable)/deductible	(49,884)	1,564
Non-taxable group life proceeds	(271)	(168)
Tax benefits on expenses passed to members	3,246	2,490
Exempt pension income	(15,635)	(8,006)
Net imputation and foreign tax credits	(36,578)	(44,566)
Under/(over) provision in the previous year	(3,766)	(4,675)
	<u>102,024</u>	<u>12,347</u>

(c) Deferred tax

	Opening Balance \$ '000	2017 (Charged) / Credited to income \$ '000	Closing Balance \$ '000
Deferred tax assets			
Fund expenses accrued but not incurred	1,307	244	1,551
Unrealised losses on investments	974	(974)	-
	<u>2,281</u>	<u>(730)</u>	<u>1,551</u>
Deferred tax liabilities			
Contributions receivable	-	-	-
Income receivable	(2,401)	(233)	(2,634)
Unrealised gains on investments	(149,194)	(59,303)	(208,497)
	<u>(151,595)</u>	<u>(59,536)</u>	<u>(211,131)</u>
Net deferred tax (liability) / asset	<u>(149,314)</u>	<u>(60,266)</u>	<u>(209,580)</u>

CARE Super
Notes to the Financial Statements
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10. Income tax (continued)

(c) Deferred tax (continued)

	Opening Balance \$ '000	2016 (Charged) / Credited to income \$ '000	Closing Balance \$ '000
Deferred tax assets			
Fund expenses accrued but not incurred	1,485	(178)	1,307
Unrealised losses on investments	1,834	(860)	974
	<u>3,318</u>	<u>(1,037)</u>	<u>2,281</u>
Deferred tax liabilities			
Contributions receivable	(3,415)	3,415	-
Income receivable	(2,354)	(47)	(2,401)
Unrealised gains on investments	<u>(161,671)</u>	<u>12,477</u>	<u>(149,194)</u>
	<u>(167,440)</u>	<u>15,845</u>	<u>(151,595)</u>
Net deferred tax (liability) / asset	<u><u>(164,122)</u></u>	<u><u>14,808</u></u>	<u><u>(149,314)</u></u>

11. Auditors' remuneration

	2017 \$ '000	2016 \$ '000
Audit Services		
PwC	144	138
Other Services - Assurance		
PwC	119	109
	<u>263</u>	<u>247</u>

12. Cash flow statement reconciliation

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2017 \$ '000	2016 \$ '000
Cash and cash equivalent	<u>111,720</u>	<u>50,791</u>

Reconciliation of operating result after income tax to net cash inflow/(outflow) from operating activities

Operating result after income tax	28,928	27,344
Adjustments for:		
(Increase) / decrease in assets measured in fair value	(1,371,342)	(474,274)
Depreciation and impairment	147	1
Insurance	321	(6,978)
(Increase) / decrease in receivables	9	(8)
Increase / (decrease) in payables	3,016	(875)
Increase / (decrease) in income tax payable	52,827	15,413
Increase / (decrease) in fixed assets	400	853
Allocation to members' accounts	1,235,130	398,362
Net cash inflow/(outflow) from operating activities	<u><u>(50,564)</u></u>	<u><u>(40,162)</u></u>

There were no non-cash financing activities during the year.

13. Segment information

The Fund operates solely in one reportable business segment, being the provision of superannuation benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. Revenue is derived from interest, distributions, other investment income, gains on the sale of investments and unrealised changes in the value of investments.

14. Related party disclosures

(a) Trustee and Key Management Personnel

The Trustee of the Fund is CARE Super Pty Ltd. The directors who held office during the financial year were:

Employer Representatives

Graeme Grant (resigned 31/03/2017)
 Claire Keating (appointed 01/01/2017)
 David Michaelis (resigned 31/12/2016)
 Katherine Sampson
 Mark Sibree
 Gabriel Szondy (appointed 27/06/2017)
 Andrea Waters
 Terence Wetherall

Member Representatives

Catherine Wood (Chair)
 Julie Bignell
 Chris Christodoulou
 Keith Harvey
 Michelle Gardiner
 Greg McLean

Independent Director

Gabriel Szondy (resigned 27/06/2017)

Key Management Personnel

Julie Lander (CEO)
 Belinda Ray (EM)
 Peter Theodorakopoulos (EM)
 Rachel Reynolds (EM)
 Suzanne Branton (EM)
 Paul Northey (EM) (appointed 01/05/2017)
 Mark Lyons (EM) (appointed 18/05/2017)

The Trustee applied for a licence from the Australian Prudential Regulation Authority. The RSE licence was granted on 16 February 2006 (licence no L0000956). The Trustee received authority to offer a MySuper product on 10 April 2013 (MySuper number 98172275725867).

(b) Compensation of key management personnel

	2017	2016
	\$ '000	\$ '000
Short-term employee benefits (salaries, director fees)	1,612	1,426
Post-employment benefits (superannuation)	155	146
Total Compensation	1,767	1,571

Transactions between directors and the superannuation fund were transacted under normal terms and conditions with expenses incurred by the directors on the Fund's behalf fully reimbursed.

14. Related party disclosures (continued)

(c) Related Party Transactions

Trustee

CARE Super Pty Ltd invoiced CARE Super the amount of \$2,215,110 (2016: \$1,999,414) during the 2017 year for expenses incurred on behalf of the trustee company.

Trustee Directors

Certain directors are members of the Fund. Their membership terms and conditions are the same as those available to other members of the Fund. Included in the CARE Super Pty Ltd financial accounts are director fees of \$854,171 (2016: \$786,645) during the year.

Industry Superannuation Property Trust Pty Ltd and IGIPT Pty Ltd

CARE Super Pty Ltd holds investments in the Industry Superannuation Property Trusts and the ISPT International Property Trust. The Industry Superannuation Property Trusts are property trust vehicles wherein the Fund together with other industry superannuation funds can make direct property investments. Ms Catherine Wood is a remunerated director of ISPT Pty Ltd, the trustee of the Industry Superannuation Property Trust No 1 & No 2 and IGIPT Pty Ltd the trustee of ISPT International Property Trust.

Industry Super Holdings Pty Ltd

CARE Super Pty Ltd is a shareholder in Industry Super Holdings Pty Ltd (ISH). ISH is the holding company for IFM Holdings Pty Ltd, Industry Super Australia Pty Ltd, The New Daily Pty Ltd and Industry Fund Services Ltd. CARE Super Pty Ltd holds investments in IFM, Industry Fund Services (IFS) has a number of subsidiaries including Industry Funds Investments Ltd, Super Members Investments Ltd and IFS Insurance Solutions Pty Ltd. CARE Super engages the services of a number of these entities. These non-investment transactions that relate to advertising, financial planning, credit control, insurance consulting and broking totalled \$3,047,764 (2016: \$3,281,113). All transactions were made on normal commercial terms, under normal conditions and at market rates. Ms Catherine Wood is a director of Industry Super Australia Pty Ltd.

Transactions with other related party organisations

CARE Super Pty Ltd pays membership fees to, and/or transacts with, the following related party organisations for the purpose of research and sponsorship of various events to provide education and support to members and employers about superannuation.

	2017 \$ '000	2016 \$ '000
NSW Business Chamber	33	37
Victorian Chamber of Commerce and Industry	134	75
Australian Council of Trade Unions	13	14
Australian Services Union	11	-
Australian Chamber of Commerce and Industry	17	-
Women In Super	23	7
Business Council of Cooperatives and Mutuals	59	13
	<u>290</u>	<u>146</u>

Terms and conditions of transactions with related parties

Outstanding balances at year end are unsecured and settlement occurs in cash. Transactions and Investments are made on normal commercial terms.

There have been no guarantees provided or received for any related party receivables.

For the year ended 30 June 2017, the Fund has not raised any provision for uncollectible amounts relating to amounts owed by related parties (2016: \$nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates in.

15. Financial risk management objectives and policies

(a) Strategy in using financial instruments

The Fund's principal financial instruments, comprise individual mandates and units in managed trusts which invest in equity securities, insurance policies, fixed interest securities, property, infrastructure, private equity, hedge funds, cash and short term deposits. The main purpose of these financial instruments is to generate a return on investment.

The Fund also has various other financial instruments such as sundry receivables and payables, which arise directly from its operations.

The Fund also enters into derivative transactions, principally in equity & fixed interest futures and foreign exchange contracts. The main purpose is to manage financial risks associated with the Fund's investment transactions, and as a means of effecting a change in the asset mix. Investments in derivatives are not used to gear the Fund's investment portfolio, and are limited to the asset allocation limits for the underlying investment class.

The main risks arising from the Fund's financial instruments are interest rate risk, credit risk, market price risk and foreign currency risk. The Trustee reviews and agrees policies for managing each of these risks and they are summarised below.

The Fund's accounting policies in relation to derivatives are set out in Note 1 Summary of Significant Accounting Policies. The risk framework is documented in the Fund's Risk Management Plan and Strategy which is reviewed regularly by management and the Trustee.

(b) Liquidity and cash flow interest rate risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the majority of the Fund's assets are invested in financial instruments, which under normal market conditions are readily convertible to cash. These investments include listed equities, cash and fixed interest investments.

(c) Market price risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

(d) Other price risk

Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund is exposed to the price risk relating to changes in the net market value of the respective investment options held by the Fund, namely unit trusts, equity prices, fixed interest and discount securities as well as infrastructure and direct property valuations. Any changes in the net market value of these investments are due to movements in the price of the underlying assets that the fund invests in and the volatility of those assets.

The Trustee, in consultation with JANA Investment Advisors Pty Ltd as the appointed investment consultant, moderates this risk through diversification and the careful selection of investment managers who trade in securities and other financial instruments within specified limits. The Fund's overall market positions are monitored on a monthly basis by the Trustee. In addition, the Trustee reviews each asset class and manager in detail each quarter to ensure that performance is within expectations and ranges of the specific mandate.

The asset allocation ranges for each investment sector have been determined by the Trustee in consultation with the investment consultant. These ranges have been set to ensure the appropriate overall fund risk/return ratio is maintained and to ensure satisfactory diversification across sectors. Investments in each sector are spread over more than one security manager. In this way the Fund is not overly exposed to one manager, asset class or underlying economic event. This approach is designed to produce a moderate out performance over time. The asset allocation of the Balanced Fund is monitored monthly and rebalanced to the target on a monthly basis. All other options are balanced back to benchmark on a weekly basis.

15. Financial risk management objectives and policies (continued)

(e) (i) Sensitivity analysis for price movements

The volatility of expected returns for the purpose of this analysis has been based on historical analysis and input from the investment consultant in collaboration with the Trustee. The following table represents the returns that would be considered reasonably possible based on the underlying asset classes as at 30 June 2017 and 30 June 2016. This analysis has been performed on a pretax basis.

	Increase	Decrease
Australian Equities	+17%	-17%
Overseas Equities	+19%	-19%
Direct Property	+10%	-10%
Infrastructure	+11%	-11%
Absolute Return	+8%	-8%
Credit	+12%	-12%
Change for year in Net Assets available for Member Benefits		
30 June 2017	1,903,495	(1,903,495)
30 June 2016	1,677,757	(1,677,757)

(e) (ii) Interest rate risk

Interest rate risk represents the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to market risk for changes in interest rates relate primarily to investments held in discounted securities and interest bearing securities.

The Fund's policy is to invest in fixed interest as a diversifying strategy as well as moderate the volatility of the expected returns of the Fund.

The risks within the fixed interest investments lie in the duration and credit limits held by the investment managers. Managers are subject to strict guidelines with regard to both parameters and they are monitored regularly by the Trustee in conjunction with the investment consultant.

The following table sets out the carrying amount, by maturity, of the Fund's financial instruments that are exposed to interest rate risk.

2017	Floating Rate	Fixed Interest Rate - Time to Maturity			
		1 Year or Less	1 - 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash at Bank	111,720	-	-	-	111,720
Cash & Short Term Deposits	214,331	599,176	-	-	813,507
Fixed Interest Bonds	-	3,081	90,676	97,864	191,621
Floating Rate Notes	2,966	-	-	-	2,966
Mortgage Backed Securities	102,814	-	-	-	102,814
Asset Backed Securities	99,062	-	-	-	99,062
Loans	341,501	-	-	-	341,501
Fixed Interest Annuities	-	-	-	313	313
Indexed Bonds	3,402	-	-	-	3,402
Covered Bonds Fixed	-	-	2,907	2,647	5,554
Futures	193	-	-	-	193
Discounted Securities	-	878,778	-	-	878,778
Total Financial Assets	875,989	1,481,035	93,583	100,824	2,551,431
Futures	(180)	-	-	-	(180)
Cash and Deposits	(528)	(377)	-	-	(905)
Total Financial Liabilities	(708)	(377)	-	-	(1,085)
Net Financial Assets/Liabilities	875,281	1,480,658	93,583	100,824	2,550,346

15. Financial risk management objectives and policies (continued)

(e) (ii) Interest rate risk (continued)

2016	Floating Rate	Fixed Interest Rate - Time to Maturity			
		1 Year or Less	1 - 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets		-	-	-	
Cash at Bank	50,791	-	-	-	50,791
Cash & Short Term Deposits	273,603	520,122	-	-	793,725
Fixed Interest Bonds	-	-	20,029	19,625	39,654
Floating Rate Notes	24,815	-	-	-	24,815
Mortgage Backed Securities	315,817	-	-	-	315,817
Asset Backed Securities	7,544	-	-	-	7,544
Loans	32,027	-	-	-	32,027
Fixed Interest Annuities	-	-	-	-	-
Indexed Bonds	-	-	-	-	-
Covered Bonds Fixed	-	-	-	-	-
Futures	96	-	-	-	96
Discounted Securities	-	651,595	-	-	651,595
Total Financial Assets	704,693	1,171,717	20,029	19,625	1,916,064
Futures	(89)	-	-	-	(89)
Cash and Deposits	-	(8,472)	-	-	(8,472)
Total Financial Liabilities	(89)	(8,472)	-	-	(8,561)
Net Financial Assets/Liabilities	704,604	1,163,245	20,029	19,625	1,907,503

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Fund that are not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

Sensitivity analysis for items exposed to interest rate risk

The following table represents the returns that would be considered reasonably possible based on expected movements in interest rates as at 30 June 2017 and 30 June 2016.

	Carrying Amount	Movement in underlying sectors	Increase/ (Decrease) in benefits accrued as a result of operations	Increase/ (Decrease) in members liabilities for accrued benefits
2017	\$'000	81 bps	\$'000	\$'000
Financial Assets				
Cash and Deposits	925,227	81bps	(7,494)	7,494
Fixed Interest Bonds	191,621	81bps	(1,552)	1,552
Floating Rate Notes	2,966	81bps	(24)	24
Mortgage Backed Securities	102,814	81bps	(833)	833
Asset Backed Securities	99,062	81bps	(802)	802
Loans	341,501	81bps	(2,766)	2,766
Fixed Interest Annuities	313	81bps	(3)	3
Indexed Bonds	3,402	81bps	(28)	28
Covered Bonds Fixed	5,554	81bps	(45)	45
Futures	193	81bps	(2)	2
Discounted Securities	878,778	81bps	(7,118)	7,118
Total Financial Assets	2,551,431		(20,667)	20,667
Futures	(180)	81bps	1	(1)
Cash and Deposits	(905)	81bps	7	(7)
Total Financial Liabilities	(1,085)		8	(8)
Net Financial Assets/Liabilities	2,550,346		(20,659)	20,659

15. Financial risk management objectives and policies (continued)

(e) (ii) Interest rate risk (continued)

	Carrying Amount	Movement in underlying sectors	Increase/ (Decrease) in benefits accrued as a result of operations	Increase/ (Decrease) in members liabilities for accrued benefits
2016	\$'000	81 bps	\$'000	\$'000
Financial Assets				
Cash and Deposits	844,516	81bps	(6,841)	6,841
Fixed Interest Bonds	39,654	81bps	(321)	321
Floating Rate Notes	24,815	81bps	(201)	201
Mortgage Backed Securities	315,817	81bps	(2,558)	2,558
Asset Backed Securities	7,544	81bps	(61)	61
Loans	32,027	81bps	(259)	259
Fixed Interest Annuities	-	81bps	-	-
Indexed Bonds	-	81bps	-	-
Covered Bonds Fixed	-	81bps	-	-
Futures	96	81bps	(1)	1
Discounted Securities	651,595	81bps	(5,278)	5,278
Total Financial Assets	1,916,064		(15,520)	15,520
Futures	(89)	81bps	1	(1)
Cash and Deposits	(8,472)	81bps	69	(69)
Total Financial Liabilities	(8,561)		70	(70)
Net Financial Assets/Liabilities	1,907,503		(15,450)	15,450

(f) Foreign Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has exposure to foreign currency risk implicit in the value of portfolio securities denominated in a foreign currency. These exposures are managed by a combination of the hedging policies of the underlying managers, and a currency overlay established by the Board, in conjunction with the investment consultant, to limit the exposure to international currency movements of 15% of the Balanced Option.

2017	USD	EURO	HKD	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net investment amount	428,114	97,858	113,984	150,987	790,943
	428,114	97,858	113,984	150,987	790,943

2016	USD	EURO	HKD	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net investment amount	391,179	41,968	28,817	31,852	493,816
	391,179	41,968	28,817	31,852	493,816

	2017 \$'000	2016 \$'000
Net market value of foreign exchange contracts		
Foreign exchange contract assets	2,760,084	2,878,614
Foreign exchange contract liabilities	(2,719,853)	(2,886,683)

The foreign exchange contracts are taken out on a rolling three month basis. The average exchange rates on these contracts are as follows:

	2017	2016
A\$/US\$	0.75	0.76
A\$/Euro	0.67	0.68

15. Financial risk management objectives and policies (continued)

(f) Foreign Currency risk (continued)

Sensitivity analysis

The table below indicates the currencies to which the Fund had significant exposure at 30 June 2017 and 30 June 2016 on its monetary assets and liabilities and forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian Dollar on the Statement of Financial Position and Income Statement, with all other variables held constant.

Currency	2017			
	Increase in currency rate	Effect on Net Assets/ Investment Returns \$'000	Decrease in currency rate	Effect on Net Assets/ Investment Returns \$'000
USD	10.00%	(38,919)	10.00%	47,568
EUR	10.00%	(8,896)	10.00%	10,873
HKD	10.00%	(10,362)	10.00%	12,665
OTHER	10.00%	(13,726)	10.00%	16,776

Currency	2016			
	Increase in currency rate	Effect on Net Assets/ Investment Returns \$'000	Decrease in currency rate	Effect on Net Assets/ Investment Returns \$'000
USD	10.00%	(35,562)	10.00%	43,464
EUR	10.00%	(3,815)	10.00%	4,663
HKD	10.00%	(2,620)	10.00%	3,202
OTHER	10.00%	(2,896)	10.00%	3,539

(g) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these investments.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by undertaking transactions with counterparties on recognised exchanges, and ensuring that transactions are undertaken with a large number of counterparties.

There are no significant concentrations of credit risk within the Fund.

15. Financial risk management objectives and policies (continued)

(h) 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 hold a substantial proportion of the Funds' assets in investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange.

(i) Maturities of financial liabilities

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

2017	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
Non-derivatives					
Payables	11,426	-	-	219	11,645
Defined contribution member liabilities	12,896,855	-	-	-	12,896,855
Derivatives					
Net settled derivatives	1,314,214	1,406,685	-	-	2,720,899
Total	14,222,495	1,406,685	-	219	15,629,399

2016	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
Non-derivatives					
Payables	8,934	-	-	244	9,178
Defined contribution member liabilities	11,044,558	-	-	-	11,044,558
Derivatives					
Net settled derivatives	1,607,840	1,280,243	-	-	2,888,083
Total	12,661,332	1,280,243	-	244	13,941,819

16. Insurance

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 reinsurance recoveries allocated are recognised in the statement of changes in members benefits.

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

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

17. 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. Depending on the Fund's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However, the Fund applies the Investment Entity Exemption available under AASB10 *Consolidated Financial Statements* and therefore does not consolidate its entities. In other cases it may have exposure to such an entity but not control it.

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 Fund. Such interests include holding of units in unlisted trusts. The nature and extent of the Fund's interests in structured entities are titled units in unlisted investments and managed funds and are summarised in Note 4 – "Fair Value of Financial Instruments" and Note 14 "Related Party Disclosures" where appropriate. As at 30 June 2017, the Fund had no exposure to any managed fund investments that was greater than 5% of the Fund's net assets.

The Fund has exposures to unconsolidated structured entities through its investments. The Fund typically has no other involvement with the structured entity other than the securities it holds as part of investments and its maximum exposure to loss is restricted to the carrying value of the investment.

Exposures to investment assets are managed in accordance with financial risk management practices as set out in Note 15 Financial Risk Management, which includes an indication of changes in risk measures compared to prior year.

The Fund has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to unconsolidated structured entities in the future.

18. Operating expenses

	2017 \$ '000	2016 \$ '000
Bank charges	123	124
Staff related costs	12,311	9,461
Office expenses	2,088	2,432
Advertising and sponsorship	5,588	4,328
Fund literature	2,045	1,769
Other operating costs	308	2,587
Government charges	1,040	847
Professional services	4,120	4,600
	<u>27,623</u>	<u>26,148</u>

19. Commitments and contingent liabilities

(a) Operating Lease Commitments

	2017 \$ '000	2016 \$ '000
Not later than one year	569	308
Later than one year but not later than five years	568	713
Later than five years	-	146
	<u>1,137</u>	<u>1,167</u>

(b) Commitments yet to be called

CARE Super has \$567 million (2016: \$520 million) in private equity and property commitments yet to be called.

20. Significant events after balance date


Since 30 June 2017 there have been no matters or circumstances which have arisen that have significantly affected or may significantly affect the financial position or operating results of the Fund.

CARE Super
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017
TRUSTEE DECLARATION

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

- (a) the accompanying financial statements and notes set out on pages 2 to 28 are in accordance with:
 - (i) Australian Accounting Standards and other mandatory professional reporting requirements and
 - (ii) present fairly the Fund's financial position as at 30 June 2017 and of its performance for the financial year ended on that date
- (b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993* and its accompanying Regulations; the relevant requirements of the *Corporations Act 2001 and Regulations*; the requirements under *section 13 of the Financial Sector (Collection of Data) Act 2001*, during the year ended 30 June 2017, and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of CARE Super Pty Ltd as Trustee for CARE Super.



Director



Director

Melbourne
19 September 2017



Independent Auditor's report on financial statements

Independent Auditor's report approved form for a registrable superannuation entity (RSE) which is a reporting entity (as defined in Australian Accounting Standard [AASB 1056])

Report by the RSE Auditor to the trustee of CARE Super (ABN: 98 172 275 725)

Opinion

I have audited the financial statements of CARE Super for the year ended 30 June 2017 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves, Statement of Cash Flows and summary of accounting policies and other explanatory notes.

In my opinion, the financial statements, present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of CARE Super as at 30 June 2017 and the results of its operations, cash flows, changes in reserves and changes in member benefits for the year ended 30 June 2017.

Basis for Opinion

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

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

Trustee's responsibility for the financial statements

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

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

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Auditor's responsibility

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

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

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



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George Sagonas
George Sagonas
Partner

Melbourne
19 September 2017