

# **GUILD RETIREMENT FUND**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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# GUILD RETIREMENT FUND

## OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
<b>INVESTMENT REVENUE</b>			
Interest		328	408
Trust distributions		105,729	58,559
Changes in net market value	8	(70,876)	36,604
Other investment income		4,361	3,821
Direct expenses on investment income		(3,095)	(2,244)
		<hr/>	<hr/>
		36,447	97,148
<b>CONTRIBUTION REVENUE</b>			
Employer contributions		151,518	139,473
Member contributions		12,872	12,336
Government co-contributions		375	522
Transfers in		30,398	43,634
		<hr/>	<hr/>
		195,163	195,965
<b>OTHER REVENUE</b>			
Insurance proceeds		5,481	8,139
Compensation income		-	5
		<hr/>	<hr/>
		5,481	8,144
<b>TOTAL REVENUE</b>			
		<hr/>	<hr/>
		237,091	301,257
<b>EXPENSES</b>			
General administration expenses		11,861	11,372
Group life premiums		16,051	15,411
Bank charges		18	-
		<hr/>	<hr/>
<b>TOTAL EXPENSES</b>		27,930	26,783
<b>BENEFITS ACCRUED BEFORE TAX</b>			
		<hr/>	<hr/>
		209,161	274,474
<b>INCOME TAX EXPENSE</b>	9(a)(b)	17,437	19,320
		<hr/>	<hr/>
<b>BENEFITS ACCRUED AFTER TAX</b>	5	191,724	255,154
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# GUILD RETIREMENT FUND

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Cash Assets</b>			
Cash and cash equivalents	10	47,392	48,905
<b>Receivables</b>			
Other receivables	11	308	602
<b>Investments</b>			
Units in unit trusts	12	1,296,015	1,176,417
<b>TOTAL ASSETS</b>		<b>1,343,715</b>	<b>1,225,924</b>
<b>LIABILITIES</b>			
Unallocated contributions		77	1,399
Creditors and accruals	13	3,017	3,606
Current tax liabilities	9(c)	9,067	3,769
Deferred tax liabilities	9(d)	259	4,430
<b>TOTAL LIABILITIES</b>		<b>12,420</b>	<b>13,204</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>1,331,295</b>	<b>1,212,720</b>
<b>REPRESENTED BY</b>			
Vested benefits	5,6	1,300,746	1,196,316
Operational risk financial reserve	14	3,882	3,887
Contingency reserve	14	1,868	557
Amounts not yet allocated to members'	14	24,799	11,960
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>1,331,295</b>	<b>1,212,720</b>

## GUILD RETIREMENT FUND

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 \$'000	2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Investment Revenue Received</b>			
Interest received		232	240
Fee rebates received		4,361	3,821
<b>Contribution Revenue</b>			
Employer & Member contributions		163,068	151,097
Government co-contribution		375	522
Transfers in		30,398	43,634
<b>Other Revenue</b>			
Insurance proceeds		5,481	8,139
GST recoup		1,178	814
Compensation received		-	5
<b>Expenses</b>			
General administration expenses		(17,893)	(16,330)
Group life premiums		(15,952)	(15,342)
Bank charges		(18)	-
Income taxes paid		(16,310)	(13,952)
Benefits paid		(73,149)	(81,175)
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>16(a)</b>	<b>81,771</b>	<b>81,473</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net Purchases of Investments		(83,284)	(57,738)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(83,284)</b>	<b>(57,738)</b>
NET (DECREASE)/INCREASE IN CASH HELD		(1,513)	23,735
CASH AT THE BEGINNING OF PERIOD		48,905	25,170
<b>CASH AT THE END OF PERIOD</b>	<b>16(b)</b>	<b>47,392</b>	<b>48,905</b>

## **GUILD RETIREMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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#### **1. REPORTING ENTITY**

Guild Retirement Fund ("Fund") is a defined contribution fund domiciled in Australia. The address of the Trustee Company's registered office is:

171 Collins Street  
Melbourne VIC 3000

The Fund primarily is involved in providing retirement benefits to its members. The Fund is constituted by a Trust Deed dated 29 April 2005 as amended and provides superannuation benefits in Australia.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993 the Fund was registered on 2 May 2005, registration number R1000030.

The Trustee of the Fund is Guild Trustee Services Pty Limited (RSE No L0000611).

#### **2. BASIS OF PREPARATION**

##### **(a) Statement of Compliance**

The financial statements are general purpose statements which have been drawn up in accordance with Australian accounting standards including AAS 25 "Financial Reporting Superannuation Plans" ("AAS25") as amended by AASB 2005-13 (December 2005), other applicable Accounting Standards and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations ("SIS") and the provisions of the Trust Deed.

International Financial reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB. Certain requirements of AAS25 however differ from the equivalent requirements that would be applied under IFRS.

The financial statements were approved by the Board of the Trustee, Guild Trustee Services Pty Limited, on 26 September 2016.

##### **(b) Basis of Measurement**

The financial statements have been measured on a Net Market Value Basis.

##### **(c) Functional and Presentation Currency**

The financial statements are presented in Australian dollars, which is the functional currency of the Fund.

Amounts have been rounded to the nearest thousand dollars except where otherwise noted.

##### **(d) Use of Estimates and Judgements**

The preparation of financial statements requires the use of certain critical accounting assumptions and estimates. It also requires the Trustee and management to exercise judgement in the process of applying the entity's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no critical accounting estimates and judgements contained in these financial statements other than those used to determine the liability for accrued benefits, which are not brought to account but disclosed by way of note.

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 2. BASIS OF PREPARATION (CONTINUED)

##### (e) New and amended standards adopted during the year

The Fund has changed some of its accounting policies as a result of new and revised accounting standards which became effective for the annual reporting periods commencing on 1 July 2015. The affected policies are:

AASB Amendment / Standard	Title	Nature of change to accounting policy
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	The amendments affect some disclosures relating to servicing contracts, changes in method of disposal, AASB7 disclosures for interim reports and discount rates for employee benefits.
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The amendments propose narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.
AASB 2014-1	Part E: Financial Instruments	The amendments made by AASB 2014-1 affect the hedge accounting disclosures set out in AASB 7 <i>Financial Instruments: Disclosures</i> and to AASB 132 <i>Financial Instruments: Presentation</i> to permit irrevocable designation of 'own use contracts' as measured at fair value through profit or loss if the designation eliminates or significantly reduces an accounting mismatch.

##### (f) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year information and other disclosures.

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Fund.

##### (a) Investments

Investments of the Fund are initially recognised using trade date accounting. From this date any gains and losses arising from changes in net market value are recorded.

Estimated costs of disposal are deducted in the determination of net market value. As disposal costs are generally immaterial, unless otherwise stated, net market value approximates fair value.

Net Market Values of unlisted managed investment schemes are valued at the redemption price at reporting date quoted by the investment managers which are based on the net market value of the underlying investments. Unit values denominated in foreign currency are translated to Australian dollars at the current exchange rates.

Derivative financial instruments including financial futures and forward exchange contracts, interest rate swaps, exchange traded and other options and forward rate agreements are recorded at mark to market basis at balance date using the most recent verifiable sources of market prices or generally accepted valuation principles.

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (b) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily converted to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### (c) Foreign Currency

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences are recognised in the Operating Statement.

##### (d) Interest and Other Receivables

Interest receivable represents accrued interest revenue from government securities, other fixed interest securities, money market securities and derivatives.

Receivables are carried at nominal amounts accrued or due at reporting date, which approximate fair value.

##### (e) Financial Liabilities

The Fund recognises financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Benefits payable comprises the entitlements of members who ceased employment prior to year end but had not been paid at that time. Members who subsequently advise the Fund that they have ceased employment and were not included in benefits payable are included in vested benefits at year end.

Other payables are payable on demand or over short time frames of less than 60 days.

The Fund recognises financial liabilities at net market value as at reporting date with any change in net market values since the beginning of the reporting period included in the Operating Statement.

As disposal costs are generally immaterial, unless otherwise stated net market value approximates fair value.

##### (f) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### Changes in net market value of investments

Changes in net market value of investments are recognised as income in the Operating Statement in the periods in which they occur. Changes in net market values are determined as the difference between the net market value at balance date or consideration received (if sold during the year) and the net market value at the previous balance date or the cost (if the investment was acquired during the year).

##### Interest revenue

Interest revenue is recognised in the Operating Statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

##### Trust distribution revenue

Distributions from managed investment schemes are recognised on the date the distribution is received by the Fund or reinvested as part of a reinvestment plan.

##### Contributions revenue and transfers in

Contributions revenue and transfers in are recognised when the control and the benefits from the revenue have transferred to the Fund and is recognised gross of any taxes in the period to which they relate.

## **GUILD RETIREMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(g) Income Tax**

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act and accordingly the concessional tax rate of 15% has been applied.

##### Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

##### Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

##### **(h) Contribution Surcharge**

The contribution surcharge is recorded as an expense in the Operating Statement if an amount has been paid or an assessment has been received during the period irrespective of the period to which the surcharge related. A liability for future payments is only recognised if an assessment has been issued by the Australian Taxation Office (ATO) and was unpaid at balance date.

The Superannuation Laws Amendment (Abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

##### **(i) Goods and Services Tax**

GST incurred that is not recoverable from the ATO has been recognised as part of the cost of acquisition of the asset or as part of the expense to which it relates.

Receivables and payables are stated with the amount of GST included in the value. The amount of GST recoverable from, or payable to, the ATO is included as an 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 components of cash flows arising from investing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

##### **(j) Excess Contributions Tax**

The ATO may issue release authorities to members of the Fund relating to the relevant member's excess contributions tax that is payable in respect of the member's concessional and/or non-concessional contributions for a particular year.

The liability for excess contributions tax will be recognised when the relevant release authorities are received from members, as the Trustee considers this is when it can be reliably measured.



## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (j) Excess Contributions Tax (Continued)

The excess contributions tax liability recognised by the Fund will be charged to the relevant members' accounts.

##### (k) No-TFN Contributions Tax

Where a member does not provide their tax file number to a fund, the fund may be required to pay no-TFN contributions tax at a rate of 34% which is in addition to the concessional tax rate of 15% which applies to the Fund's assessable income.

The no-TFN contributions tax liability recognised by the Fund will be charged to the relevant members' accounts. Where a tax offset is obtained by the Fund in relation to members' no-TFN contributions tax, the tax will be included in the relevant members' accounts.

##### (l) Financial Instruments

###### (i) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. Financial assets are recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or liabilities are recorded. Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempt from the scope of AASB139.

###### (ii) Measurement

Financial instruments are initially measured at cost, being the fair value of the consideration given. Subsequent to initial recognition all financial instruments are valued at net market value.

###### (iii) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Fund transfers substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

##### (m) New Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 June 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Fund are set out below. The Fund does not plan to adopt these standards early.

###### AASB 9 Financial Instruments

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of AASB 9 is expected to have an impact on the Fund's financial assets, but no impact on the Fund's financial liabilities. The Fund has not yet determined the impact on its hedging arrangements.

###### AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (m) New Standards and Interpretations not yet Adopted (Continued)

The Fund's main sources of income are interest, dividends, distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

##### AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all leases (including operating leases) to be brought to account onto the balance sheet. The definition of a lease is also amended and is not the new on/off balance sheet test for lessees.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 *Revenue from Contracts with Customers* is adopted at the same time. The Fund does not expect any impact on its financial statements resulting from the application of AASB 16.

##### AASB1056 Superannuation Entities

The Australian Accounting Standard Board issued AASB 1056 *Superannuation Entities* in June 2014. The new standard replaces AAS 25 *Financial Reporting by Superannuation Plans* and will be applicable from financial year beginning 1 July 2016 (and its prior year comparatives). The purpose of this new standard is to address deficiencies in AAS 25 and also make the requirements for superannuation entities more consistent with current requirements in Australian Accounting Standards.

AASB1056 will have a number of impacts on the financial statements of the Fund. The key disclosure changes will include:

1. Preparation of five statements under the new standard:
  - a. Statement of Financial Position;
  - b. Income Statement;
  - c. Statement of Changes in Equity/Reserves;
  - d. Statement of Cash Flows; and
  - e. Statement of Changes in Member Benefits.
2. Recognition of member benefits as a liability on the face of the Statement of Financial Position
3. Net assets of the Fund to reflect the Fund's reserves, including the Operational Risk Financial Reserve
4. Increased disclosure in relation to insurance arrangements.
5. Additional disclosures on member benefits.

Management expects that adopting the new standards will not have a material impact on the Fund's results and financial position.

#### 4. FUNDING ARRANGEMENTS

Contributions are made in accordance with the terms of the trust deed, at the following rates of gross salaries.

	2016	2015
	%	%
Employer contributions	9.50	9.50
Member contributions	variable	variable

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 5. LIABILITY FOR ACCRUED BENEFITS

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities as at reporting date.

	2016 \$'000	2015 \$'000
Liability for accrued benefits beginning of period	1,212,720	1,038,710
Benefits accrued after tax	191,724	255,154
Benefit paid		
- Lump sum payments	(19,037)	(21,123)
- Transfers to other funds	(53,330)	(58,879)
- Pensions	(782)	(1,142)
	<u>(73,149)</u>	<u>(81,144)</u>
Liability for accrued benefits end of period	<u>1,331,295</u>	<u>1,212,720</u>
Represented by:		
Vested benefits allocated to members' accounts	1,300,746	1,196,316
Operational risk financial reserve	3,882	3,887
Contingency reserve	1,868	557
Not yet allocated to members' accounts	24,799	11,960
	<u>1,331,295</u>	<u>1,212,720</u>
Net Assets available to pay benefits	<u>1,331,295</u>	<u>1,212,720</u>

#### 6. VESTED BENEFITS

Vested benefits are benefits that are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership as at the reporting date.

	2016 \$'000	2015 \$'000
Vested benefits allocated to members' accounts	<u>1,300,746</u>	<u>1,196,316</u>

#### 7. GUARANTEED BENEFITS

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

#### 8. CHANGES IN NET MARKET VALUE OF INVESTMENTS

	2016 \$'000	2015 \$'000
<b>Investments realised during the period</b>		
Units in unit trusts	(29,676)	(1,371)
<b>Investments held at reporting date</b>		
Units in unit trusts	<u>(41,200)</u>	<u>37,975</u>
TOTAL CHANGES IN NET MARKET VALUE	<u>(70,876)</u>	<u>36,604</u>

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 9. TAXATION

	2016 \$'000	2015 \$'000
<b>(a) Major components of tax expense</b>		
Current tax expense		
- Current year	21,625	15,098
- Adjustment to current tax for prior period	(16)	(1,327)
Deferred tax expense		
- Relating to the origination and reversal of temporary differences	(4,172)	5,549
Income tax expense	17,437	19,320
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>(b) Income tax expense</b>		
Net change for the year before income tax	209,161	274,474
Tax applicable at the rate of 15% (2015 15%)	31,374	41,171
Tax effect of income/losses not assessable/deductible in determining taxable income		
- Investment income and discount in capital gains	(464)	(3,037)
- Member & government co-contributions	(1,987)	(1,929)
- Transfers In	(4,542)	(6,502)
- Insurance proceeds	(822)	(1,221)
- Compensation income	-	(1)
Tax effect of other adjustments-		
- No TFN liability/(refund)	171	(1,272)
- Imputation credits & foreign tax credits applied	(6,248)	(6,414)
- Exempt pension income	(5)	(7)
- Anti detriment deduction	(24)	(98)
- (Over)/under provision prior period	(16)	(1,370)
Income tax expense	17,437	19,320
<b>(c) Current tax liability</b>		
Balance at beginning of year	3,769	3,949
Income tax paid – current period and prior year	(16,311)	(13,951)
Current year income tax provision	21,625	15,098
(Over)/under provision prior period	(16)	(1,327)
	9,067	3,769

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 9. TAXATION (CONTINUED)

	2016 \$'000	2015 \$'000
<b>(d) Deferred tax liabilities</b>		
The amount of deferred tax assets recognised in the Statement of Financial Position:		
Insurance premiums payable	(198)	(176)
Unallocated contributions	(12)	(210)
Realised capital losses carried forward	-	(578)
Unrealised capital losses carried forward	469	5,394
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	259	4,430
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#### 10. CASH AND CASH EQUIVALENTS

	2016 \$'000	2015 \$'000
General operating account	10,872	10,289
NAS cash account	36,520	29,616
NAS cash in transit	-	9,000
	<hr/>	<hr/>
TOTAL CASH AND CASH EQUIVALENTS	47,392	48,905
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#### 11. OTHER RECEIVABLES

	2016 \$'000	2015 \$'000
Accrued interest	17	15
Sundry receivable	-	19
GST receivable	291	568
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TOTAL OTHER RECEIVABLES	308	602
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## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 12. UNITS IN UNIT TRUSTS

	2016 \$'000	2015 \$'000
Mercer Multi-Managers		
- Australian Direct Property Fund	66,542	54,222
- Australian Inflation Linked Bond Fund	35,048	32,384
- Australian Shares Fund	-	74,933
- Australian Shares Plus Fund	286,135	163,385
- Australian Small Companies Fund	-	36,898
- Australian Sovereign Bond Fund	51,573	23,124
- Cash Fund	134,833	122,539
- Emerging Markets Fund	36,700	35,083
- Global Credit Fund	23,564	20,650
- Global Listed Infrastructure Fund	31,742	27,828
- Global Listed Property Fund	52,418	49,461
- Global Natural Resources Fund	32,744	21,172
- Global Small Companies Fund	23,726	28,965
- Global Sovereign Bond Fund	-	23,277
- Global Unlisted Infrastructure Fund	52,635	44,176
- Hedged International Shares Fund	36,252	100,855
- International Shares Fund	140,841	104,295
- Passive Australian Shares Fund	123,491	95,404
- Passive Global Listed Infrastructure Fund	13,947	11,820
- Passive Global Listed Property Fund	25,637	20,040
- Passive Hedged International Shares Fund	7,095	-
- Passive International Shares Fund	121,092	85,906
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TOTAL UNITS IN UNIT TRUSTS	1,296,015	1,176,417
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#### 13. CREDITORS AND ACCRUALS

	2016 \$'000	2015 \$'000
Administration and management fees	1,047	2,070
Direct expenses on investment income	525	243
Group life and salary continuance premiums	1,326	1,174
PAYG withholding	58	58
Surcharge refund	61	61
	<hr/>	<hr/>
TOTAL CREDITORS AND ACCRUALS	3,017	3,606
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## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 14. RESERVES AND UNALLOCATED ACCRUED BENEFITS

	2016 \$'000	2015 \$'000
<u>Operational Risk Financial Reserve</u>		
Balance at beginning of period	3,887	2,958
Transfers in and earnings	103	929
Transfers out	(108)	-
	<hr/>	<hr/>
Balance at end of period	3,882	3,887
	<hr/>	<hr/>
<u>Contingency Reserve</u>		
Balance at beginning of period	557	198
Transfers in and earnings	1,312	1,288
Transfers out	(1)	(929)
	<hr/>	<hr/>
Balance at end of period	1,868	557
	<hr/>	<hr/>
<u>Not yet Allocated to Members Accounts</u>		
Balance at beginning of period	11,960	2,243
Movement to unallocated accrued benefit	12,839	9,717
	<hr/>	<hr/>
Balance at end of period	24,799	11,960
	<hr/>	<hr/>

#### 15. AUDITOR'S REMUNERATION

	2016 \$'000	2015 \$'000
Amounts paid or due and payable to: Auditors of the Fund – Ernst & Young:		
Audit services	106	104
Other Services	19	19
	<hr/>	<hr/>
TOTAL AUDITOR'S REMUNERATION	125	123
	<hr/>	<hr/>

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 16. CASH FLOW INFORMATION

	2016 \$'000	2015 \$'000
<b>(a) Reconciliation of Net Cash provided by Operating Activities to Benefits Accrued after Tax</b>		
Benefits accrued after tax	191,724	255,154
Changes in net market value of investments	70,876	(36,604)
Trust distributions	(105,729)	(58,559)
Other investment income reinvested	(1,461)	(2,204)
Benefits paid	(73,149)	(81,144)
(Increase)/Decrease in receivables	294	(304)
(Increase)/Decrease in deferred tax assets	-	1,118
Increase/(Decrease) in creditors and accruals	(589)	478
Increase/(Decrease) in unallocated contributions	(1,322)	(712)
Increase/(Decrease) in current tax liabilities	5,298	(180)
Increase/(Decrease) in deferred tax liabilities	(4,171)	4,430
	<hr/>	<hr/>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	81,771	81,473
	<hr/>	<hr/>
<b>(b) Reconciliation of Cash</b>		
Cash and cash equivalents	47,392	48,905
	<hr/>	<hr/>
<b>(c) Non cash investing activities</b>		
During the year the following non cash investing activities occurred:		
Trust distributions reinvested	105,729	58,559
Other investment income reinvested	1,461	2,204
	<hr/>	<hr/>

#### 17. RELATED PARTIES

##### (a) Trustee

The Trustee of the Fund is Guild Trustee Services Pty Limited. The following people were directors of the Trustee during the financial year and to the date of this report.

George Venardos (Non-executive Director, Chairman)  
John Barrington (Non-executive Director)  
John Dowling (Non-executive Director)  
Timothy Logan (Non-executive Director)  
Mario Pirone (Executive Director)  
Stephen Somogyi (Non-executive Director)  
Ian Todd (Non-executive Director)  
Alice Williams (Non-executive Director)

Robert Bloore and Linda Jenkinson were appointed as Non-executive Directors on 1 September 2016.



## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 17. RELATED PARTIES (CONTINUED)

##### (b) Key Management Personnel and Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly, including any director (whether executive or otherwise).

Some directors, key management personnel and their associates are members of the Guild Retirement Fund for which Guild Trustee Services Pty Limited acts as responsible entity. These superannuation transactions are made at arms length and in the ordinary course of operations. Some directors, key management personnel and their associates receive wealth management, superannuation and other financial services from the Guild Group. Those services are provided at arms length and in the ordinary course of business except where the directors, key management personnel and their associates are entitled to receive the normal available staff discount or other customary discount available in relation to the size of business.

##### (c) Related Party Transactions

The Trustee received payment from the Fund for remuneration for management and monitoring the Fund's investment portfolios of \$11.861million (2015: \$11.372million).

The Trustee receives a payment from the Fund in relation to insurance administration fee for administering the group insurance policies. From 1 October 2013, the Death and Temporary & Permanent Disablement fee is 3% and Income Protection fee is 10%.

#### 18. FINANCIAL INSTRUMENTS

The Fund's assets principally consist of financial instruments which comprise units in unlisted trusts. It holds these investment assets in accordance with the Trustee's published investment policy statement.

The allocation of assets between the various types of financial instruments is determined by the Trustee who manages the Fund's portfolio of assets to achieve the Fund's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Fund on a regular basis. The Fund has a policy of rebalancing its portfolio of assets back to its long term Strategic Asset Allocation (SAA).

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Trustee of the Fund has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Trustee is responsible for developing and monitoring the Fund's risk management policies, including those related to its investment activities. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, including investment risks, to set appropriate risk limits and controls, to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Trustee receives regular reports from the Fund's Investment Managers to monitor compliance with the Fund's investment policy statement/objective.

The Fund's Trustee, Audit and Risk Management & Compliance Committees oversee how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 18. FINANCIAL INSTRUMENTS (CONTINUED)

##### Categories of financial instruments

The assets and liabilities of the Fund are recognised at net market value as at reporting date. Net market value approximates fair value less costs of realisation for investments. The cost of realisation is minimal and therefore net market value that is carrying value approximates fair value. Changes in net market value are recognised through the Operating Statement.

##### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the future cash flows or the fair values of the instruments.

The Fund invests in Australian domiciled investments where the underlying investments may include overseas equities. These investments are all denominated in Australian dollars.

##### Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the future cash flows or the fair values of the instruments.

The majority of the Fund's financial assets are non-interest-bearing. The Fund does not have any direct fixed interest bearing financial instruments. The Fund invests in Australian domiciled units in unit trusts where the underlying investments may include interest bearing financial instruments. As a result, the Fund may be subject to indirect exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents of the Fund are invested in an interest bearing bank account.

As the interest rate on the Fund's bank account is a floating rate and varies with market interest rate, any change in interest rates will have no impact on the valuation of the account. The amount of interest the Fund receives after interest rate changes is dependent on the Fund's bank balance in the future. Any increase or decrease in interest likely to be received is immaterial.

##### Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 18. FINANCIAL INSTRUMENTS (CONTINUED)

##### Market Risk (Continued)

##### Sensitivity analysis

The Trustee has determined that the standard deviation of the rate of return for each investment option will provide a reasonably possible change in the prices of the investments that comprise each option. The five year average standard deviation of rates of return for each investment option, were provided by the Fund's implemented investment consultant. The following table illustrates the effect on change in net assets after tax and net assets available to pay benefits from possible changes in market price risk.

30 June 2016 Asset Class	Sensitivity in underlying sectors	Change in net assets after tax \$'000	Change in net Assets available to pay benefits \$'000
Units in unit trusts	10.00%	±110,161	±110,161
Cash and Deposits	2.00%	±806	±806
<b>Total</b>		<b>±110,967</b>	<b>±110,967</b>

30 June 2015 Asset Class	Sensitivity in underlying sectors	Change in net assets after tax \$'000	Change in net Assets available to pay benefits \$'000
Units in unit trusts	10.00%	±99,995	±99,995
Cash and Deposits	2.00%	±831	±831
<b>Total</b>		<b>±100,826</b>	<b>±100,826</b>

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Fund's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment option's expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

##### **Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The net market value of financial assets, included in the Statement of Financial Position represents the Fund's current maximum exposure to credit risk in relation to those assets. The Fund does not have any significant exposure to any individual counterparty or industry.

The Fund does not have any assets which are past due or impaired.

##### **Liquidity Risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity position is monitored on a weekly basis. The Fund's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, Fund expenses plus investing activities.

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 18. FINANCIAL INSTRUMENTS (CONTINUED)

##### Liquidity Risk (Continued)

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

30 June 2016	Less than 3 months \$'000	3 Months to 1 year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount (Asset)/Liabilities \$'000
Creditors & accruals	3,017	-	3,017	3,017
Unallocated contributions	77	-	77	77
Current tax liabilities	4,636	4,431	9,067	9,067
Vested benefits	1,300,746	-	1,300,746	1,300,746
<b>Total</b>	<b>1,308,476</b>	<b>4,431</b>	<b>1,312,907</b>	<b>1,312,907</b>

30 June 2015	Less than 3 months \$'000	3 Months to 1 year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount (Asset)/Liabilities \$'000
Creditors & accruals	3,606	-	3,606	3,606
Unallocated contributions	1,399	-	1,399	1,399
Current tax liabilities	4,928	(1,159)	3,769	3,769
Vested benefits	1,196,316	-	1,196,316	1,196,316
<b>Total</b>	<b>1,206,249</b>	<b>(1,159)</b>	<b>1,205,090</b>	<b>1,205,090</b>

Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at year-end. This is the earliest date on which the fund can be required to pay members' vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

##### Fair Value Estimation

The carrying amounts of all the Fund's financial instruments at the balance date approximated their fair values.

##### Derivative Financial Instruments

The Trustee does not currently invest directly in futures, options and other derivatives.

Mercer is permitted to use such instruments to assist with the effective management of the assets of the Mercer investments.

##### Fair Value of Financial Instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## GUILD RETIREMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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#### 18. FINANCIAL INSTRUMENTS (CONTINUED)

##### Fair Value of Financial Instruments (Continued)

30 June 2016

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value</b>				
<i>Listed equities and managed investment schemes</i>				
- Unlisted unit trusts	-	1,296,015	-	1,296,015
	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,296,015	-	1,296,015
	<hr/>	<hr/>	<hr/>	<hr/>

30 June 2015

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value</b>				
<i>Listed equities and managed investment schemes</i>				
- Unlisted unit trusts	-	1,176,417	-	1,176,417
	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,176,417	-	1,176,417
	<hr/>	<hr/>	<hr/>	<hr/>

#### 19. SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on the Fund's financial statements at 30 June 2016.

**GUILD RETIREMENT FUND**

**STATEMENT BY TRUSTEE**

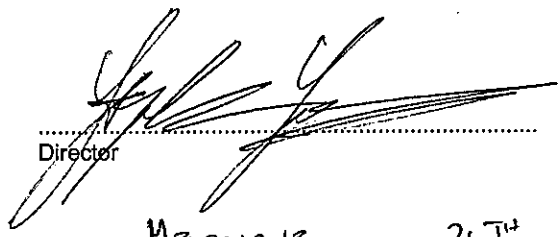
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In the opinion of the Trustee

- (a) the financial statements set out on pages 2 to 21 are drawn up so as to present fairly the financial position of the Fund as at 30 June 2016, and the results of its operations and cash flows for the year then ended;
- (b) the financial statements have been prepared in accordance with the full provisions of Australian Accounting Standard AAS 25, Financial Reporting by Superannuation Funds, other applicable Australian Equivalents to International Financial Reporting Standards, the provisions of the Trust Deed, and relevant legislative requirements; and
- (c) the Fund has operated in accordance with the provisions of the Trust Deed and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993, and Regulations, the Corporations Act 2001, Regulations and Guidelines, the Guidelines issued by the Australian Prudential Regulation Authority on Derivative Risk Statements for Superannuation Entities Investing in Derivatives, and Financial Sector (Collection of Data) Act 2001 during the year ended 30 June 2016.

Signed in accordance with a resolution of the Trustee

  
.....  
Director

  
.....  
Director

Signed at MELBOURNE this 26<sup>TH</sup> day of SEPTEMBER 2016.



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GUILD RETIREMENT FUND (ABN 22 599 554 834)  
REPORT BY THE RSE AUDITOR TO THE TRUSTEE AND MEMBERS

Financial statements

I have audited the financial statements of Guild Retirement Fund for the 30 June 2016 comprising the statement of financial position, operating statement, cash flow statement, summary of significant accounting policies, other explanatory notes and the Trustee statement.

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.

Auditor's responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of Guild Retirement Fund.

My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements 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 trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

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



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## Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Guild Retirement Fund as at 30 June 2016 and the results of its operations and its cash flows for the 30 June 2016.

ERNST & YOUNG

A handwritten signature in black ink, appearing to read 'Maree Pallisco', with a long horizontal flourish extending to the right.

Maree Pallisco  
Partner  
Melbourne  
26 September 2016