



SPIRIT SUPER
ABN 74 559 365 913

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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SPIRIT SUPER
Statement of Financial Position
As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Cash	13	101,728	54,642
Receivables		1,374	1,018
Other assets		736	1,796
Investments	3-4		
Cash and cash equivalents		2,577,688	1,401,860
Fixed interest		2,288,090	787,101
Australian equities		6,963,165	2,998,516
International equities		8,083,793	3,624,392
Global floating rate credit		495,803	905,838
Credit Income		442,924	159,693
Property		2,424,383	1,035,474
Infrastructure		2,192,337	1,273,358
Private equity		570,638	220,467
Other investment assets		302,123	6,112
Income tax receivable		-	46,265
Derivative assets		44,551	107,325
Non financial assets		4,318	585
Deferred tax assets	12	2,762	738
Total assets		26,496,413	12,625,180
Liabilities			
Payables		(91,265)	(29,193)
Derivative liabilities		(114,394)	(15,423)
Income tax payable		(88,816)	-
Deferred tax liabilities	12	(425,454)	(180,171)
Total liabilities excluding member benefits		(719,929)	(224,787)
Net assets available for member benefits		25,776,484	12,400,393
Defined contribution (DC) member liabilities	6a	(25,221,590)	(12,235,149)
Defined benefit (DB) member liabilities	6b	(114,656)	-
Unallocated contributions		(1,664)	(3,120)
Liability for member benefits		(25,337,910)	(12,238,269)
Total net assets		438,574	162,124
Equity			
Operational risk reserve	8	(71,176)	(33,594)
Insurance reserve	8	(4,101)	-
General reserve	8	(345,104)	(128,530)
Defined benefits that are (over)/under funded		(18,193)	-
Total equity		(438,574)	(162,124)

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

SPIRIT SUPER
Income Statement
For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Superannuation activities			
Interest		48,371	55,162
Dividend revenue		1,069,985	457,231
Changes in fair value of investments	5	1,785,503	(700,255)
Other investment income		30,453	31,926
Other income		1,445	631
Total superannuation activities income		2,935,757	(155,305)
Investment expenses	10	(54,597)	(46,045)
Administration expenses		(12,849)	(17,610)
Operating expenses	9	(38,912)	(25,831)
Total expenses		(106,358)	(89,486)
Results from superannuation activities before income tax expense		2,829,399	(244,791)
Income tax (expense)/benefit	12	(251,853)	51,818
Results from superannuation activities after income tax expense		2,577,546	(192,973)
Net benefits allocated to defined contribution members		(2,431,005)	165,439
Net change in defined benefit member benefits		3,919	-
Operating result after income tax		150,460	(27,534)

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

SPIRIT SUPER

**Statement of Changes in Member Benefits
For the year ended 30 June 2021**

	Note	Defined contribution \$'000	Defined benefit \$'000	Total \$'000
For the period ended 30 June 2021				
Opening balance of member benefits		12,235,149	-	12,235,149
Contributions:				
Employer		939,611	941	940,552
Member		161,757	190	161,947
Transfers from other superannuation funds		205,012	41	205,053
Government co-contributions		922	-	922
Income tax on contributions		(136,657)	(213)	(136,870)
Successor fund transfer of member benefits of Tasplan Super		10,575,787	119,158	10,694,945
Net after tax contributions		11,746,432	120,117	11,866,549
Benefit payments to members or beneficiaries		(1,166,998)	(281)	(1,167,279)
Transfers from defined benefit to defined contribution		1,261	(1,261)	-
Insurance premiums charged to member's accounts		(74,641)	-	(74,641)
Death and disability insurance benefits paid to members or beneficiaries		49,382	-	49,382
Benefits allocated to members' accounts, comprising:				
Net investment income		2,468,552	-	2,468,552
Administration fees		(37,547)	-	(37,547)
Net change in defined benefit member accrued benefits		-	(3,919)	(3,919)
Closing balance of member benefits		25,221,590	114,656	25,336,246
For the year ended 30 June 2020				
Opening balance of member benefits		12,366,952	-	12,366,952
Contributions:				
Employer		781,371	-	781,371
Member		71,221	-	71,221
Transfers from other superannuation funds		313,083	-	313,083
Government co-contributions		7,864	-	7,864
Income tax on contributions		(110,363)	-	(110,363)
Net after tax contributions		1,063,176	-	1,063,176
Benefits to members or beneficiaries		(1,033,348)	-	(1,033,348)
Transfers from defined benefit to defined contribution		-	-	-
Insurance premiums charged to members' accounts		(64,899)	-	(64,899)
Death and disability insurance benefits paid to members or beneficiaries		68,707	-	68,707
Benefits allocated to members' accounts, comprising:				
Net investment income		(133,909)	-	(133,909)
Administration fees		(31,530)	-	(31,530)
Net change in defined benefit member accrued benefits		-	-	-
Closing balance of member benefits		12,235,149	-	12,235,149

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

SPIRIT SUPER
Statement of Changes in Equity/Reserves
For the year ended 30 June 2021

	Note	Operational risk reserve \$'000	Insurance reserve \$'000	General reserve \$'000	DB over/ (under) funded \$'000	Total equity \$'000
Opening balance as at 1 July 2020		33,594	-	128,530	-	162,124
Net transfers (to)/from reserves		10,700	4,100	(14,800)	-	-
Transfers into reserves affecting net assets available to pay members' benefits		-	-	1,980	-	1,980
Successor fund transfer of reserves of Tasplan Super		26,791	-	97,219	-	124,010
Operating result		91	1	132,175	18,193	150,460
Closing balance as at 30 June 2021	8	<u>71,176</u>	<u>4,101</u>	<u>345,104</u>	<u>18,193</u>	<u>438,574</u>
		Operational risk reserve \$'000	Insurance reserve \$'000	General reserve \$'000	DB over/ (under) funded \$'000	Total equity \$'000
Opening balance as at 1 July 2019		33,241	-	156,417	-	189,658
Net transfers (to)/from reserves		-	-	-	-	-
Operating result		353	-	(27,887)	-	(27,534)
Closing balance as at 30 June 2020	8	<u>33,594</u>	<u>-</u>	<u>128,530</u>	<u>-</u>	<u>162,124</u>

The above Statement of Changes in Reserves should be read in conjunction with the accompanying notes; in particular refer to Note 8 for further descriptions on Reserves.

SPIRIT SUPER
Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Interest received		85	233
Insurance proceeds		51,670	68,707
Other general administration expenses		(66,914)	(39,633)
Other income		3,181	759
Insurance premiums		(62,708)	(65,644)
Income tax (paid)/refund		(28,623)	(122,652)
Net cash inflows/(outflows) from operating activities	13	(103,309)	(158,230)
Cash flows from investing activities			
Purchase of investments		(19,492,235)	(532,222)
Proceeds from sale of investment		19,585,476	717,976
Successor fund transfer of cash from Tasplan Super		64,975	-
Sale/(purchase) of fixed assets		(843)	(335)
Investment expenses		(15,372)	(11,875)
Net cash inflows/(outflows) from investing activities		142,001	173,544
Cash flows from financing activities			
Contributions received from:			
Employers		938,940	784,491
Members		161,946	71,221
Government		922	7,864
Transfers from other superannuation funds received		205,053	313,083
Benefits paid to members		(1,150,400)	(1,033,348)
Income tax paid on contributions received		(148,067)	(120,677)
Net cash inflows/(outflows) from financing activities		8,394	22,634
Net cash inflows/(outflows)		47,086	37,948
Cash as at 1 July 2020		54,642	16,694
Cash as at 30 June 2021	13	101,728	54,642

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

**SPIRIT SUPER
NOTES TO THE FINANCIAL STATEMENTS**

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SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

1. Operation of the Fund

Spirit Super is a profit-for-members industry super fund, welcoming members from all industries, jobs and life stages. Spirit Super was formerly known as MTAA Superannuation Fund, having changed its name on 1 April 2021 to Spirit Super (the "Fund") following a successor fund transfer of Tasplan Superannuation Fund into MTAA Superannuation Fund. The Fund is domiciled in Australia and is registered with the Australian Prudential Regulation Authority (APRA).

From 1 April 2021, the Fund is a hybrid fund which comprises defined benefits, defined contributions and account based pension divisions as constituted by the Trust Deed dated 23 February 2021 (as amended). The defined benefits division of the Fund was closed to new members from 30 June 2014, with all new members since joining the defined contributions or account based pension divisions of the Fund.

The defined contribution sections of fund accepts contributions of the sponsoring employers and the members which are made in accordance with the terms of the Fund's Trust Deed. Members of the Fund are either those employees of Australian based employers who have selected the Fund as the default fund for their employees or those members who have voluntarily selected the Fund.

The Trustee of the Fund is Motor Trades Association of Australia Superannuation Fund Pty. Limited and it is the holder of a public offer class Registrable Superannuation Entity Licence (licence no. L0001069). Its registered office is Level 3, 39 Brisbane Ave, Barton, ACT 2600.

The financial statements were approved by the Board of Directors of the Trustee on 24 September 2021.

1.1. Successor Fund Transfer – Tasplan Superannuation Fund

On 1 April 2021, the Fund undertook a Successor Fund Transfer of the Tasplan Superannuation Fund.

As a result, all of the Tasplan Superannuation Fund assets and liabilities were successor fund transferred into the Fund and recorded as a transfer in the statement of changes in member benefits effective 1 April 2021. The following items in the Financial Statements were impacted by the successor fund transfer and therefore vary from the prior year comparative figures - reserves, transfers in, cash and investments.

As part of the successor fund transfer, all unlisted investments were externally valued by independent valuers on 31 March 2021.

The following reconciles the balance in the successor fund transferred in items as at 1 April 2021.

	\$'000
Successor fund transfer - statement of changes in equity/reserves	124,010
Successor fund transfer - statement of changes in member benefits	10,694,945
	<u>10,818,955</u>
Tasplan Superannuation Fund Statement of financial position balances as at 31/03/2021	
Cash	64,975
Investments	10,953,777
Other assets	23,293
Liabilities	<u>(223,090)</u>
	<u>10,818,955</u>

SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are a general purpose financial report which have been prepared in accordance with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, the *Superannuation Industry (Supervision) Act 1993* and regulations and the provisions of the Trust Deed.

The principal accounting policies applied in the preparation of these financial statements are set out below, unless covered in other notes in the financial statements.

(b) New accounting standards and interpretations

Accounting Standard and Nature	Application Date of Standard	Application Date for Fund
AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material	1-Jan-20	1-Jul-20

Makes amendments intended to address concerns that the wording in the definition of 'material' was different in the Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	1-Jan-22	1-Jul-22
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This clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period.

The adoption of these standards did not have a significant impact on net profit or net assets.

New accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period and have not been early adopted by the Fund. None of these are expected to have a material effect on the financial statements of the Fund.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

For many of the Fund's financial instruments, quoted market prices are readily available. However, certain unlisted financial instruments, such as, infrastructure, property, private equity and credit income are fair valued using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to note 4 for details.

The significant accounting policies detailed here and throughout the notes have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

Other Significant Accounting Policies

(d) Financial Instruments

(i) Classification

The Fund's investments are classified at fair value through the Income Statement. They comprise:

Financial instruments held for trading

These instruments 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 Income Statement upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These investments are managed and their performance is evaluated on a fair value basis in accordance with the Fund's investment strategy.

Receivables

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

SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

2. Summary of significant accounting policies (continued)

(d) Financial Instruments (continued)

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through the Income Statement. 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.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date). Changes in the fair value of the financial assets or financial liabilities are recognised from this date.

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

(iii) Measurement

The Fund measures a financial asset or liability at fair value. Transaction costs are expensed in the Income Statement.

Subsequent to initial recognition, all financial assets and liabilities at fair value through the income statement are measured at fair value. Gains and losses are presented in the income statement in the year it occurs as changes in fair value of investments.

(e) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above and which do not form part of cash and cash equivalents to meet the Fund's investment strategy.

(f) 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. Refer to note 4 for further information in regards to measurement of fair value.

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.

(g) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value. Receivables are normally settled within 30 days. Collectability of trade receivables is reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount.

Payables are carried at nominal amounts which 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 as at the end of the reporting period. Payables are normally settled on 30 day terms.

(h) Goods and services tax (GST)

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 relating to GST are included in the statement of cash flows on a gross basis.

SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

3. Financial risk management

The Fund's overall objective is to maximise each member's returns during their working and retirement life while protecting their accumulated retirement savings from large fluctuations during the economic cycle. It aims to deliver solid returns with an acceptable level of risk.

The Trustee's Investment Strategy is to build a diversified portfolio of assets that balances investment returns and risks. This is achieved by investing in a combination of growth investments (such as equity, infrastructure and property), which are expected to provide growth in the capital value of the investments over time, and defensive investments (such as cash and fixed interest) to generate stable and predictable cash flows with a relatively low level of risk.

The Fund's investment options have various exposures to assets traded frequently in domestic and international markets, as well as to unlisted assets which are less frequently traded. Unlisted assets such as property and infrastructure, can have long term leases and provide income streams to the Fund. These assets are not directly linked to share markets, so they are expected to provide a buffer against the short term fluctuations of such markets. As there is no quoted trading or redemption value for some of these assets the Trustee has established a valuation policy to ensure that independent valuations are regularly undertaken for those assets. Refer to Note 4 for further information. Examples of asset classes that are held include:

- cash and fixed interest. These exposures seek to match the performance of the key market indices with minimal relative risk and cost;
- listed shares, which are listed on major stock market exchanges and so returns are subject to the usual market fluctuations and largely reflect the performance of the share market. These exposures seek to modestly outperform the key market indices with low relative risk and cost;
- infrastructure (such as airports, tollways, ports and energy assets);
- property (e.g. landmark buildings);
- private equity (investments in private or unlisted companies held directly and through funds); and
- credit income (high-yield debt assets including infrequently traded debt securities such as corporate bonds and loans).

The Trustee continuously monitors risk events that have the potential to affect the value of the portfolio, each asset class and investment option. It also conducts regular stress testing focussed on the Fund's ability to withstand external shocks under potential investment environment scenarios and liquidity stress scenarios. The impacts of these scenarios are considered through the regular review of the Investment Strategy and assist the Trustee in setting the strategic asset allocations for each investment option.

The Fund's activities expose it to a variety of financial and non-financial risks including market risk (such as price risk, foreign exchange risk and interest rate risk), credit risk, ESG and liquidity risk. The Fund manages these risks as part of its overall risk management framework.

The Fund has an Investment Governance Framework (IGF) established by the Trustee. The IGF sets out the Trustee's policies and procedures for the selection, management and monitoring of investments for the Fund.

The Trustee has assessed the risks and benefit arrangements relating to different categories of members and is of the view that the member base of the Fund is subject to materially the same risks and benefits. Hence, the Fund has not disclosed separately further disaggregated information in this regard.

During this period, the Australian Government allowed temporary early access to super. This change allowed people affected by COVID-19 restrictions to access up to \$10,000 of their super in the previous financial year and a further \$10,000 in this financial year. The impact of this change to the Fund was the withdrawal of monies by close to 35,562 of its members in the current financial year. To ensure the Fund's members were able to access their early release payment in a timely manner, the Fund worked closely with its administrator to ensure the majority of payments were deposited to members within 5 days of the application.

When assessing fair value of the Fund's investment properties, valuers have used the following valuation methodologies across the property portfolio, and in some instances have used all three to provide a comparison against each approach:

- capitalisation approach - the annual net rental income is capitalised at an appropriate market yield to arrive at the property's market value. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.
- discounted cash flow approach - this approach incorporates the estimation of future annual cash flows over a period of time by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate to derive a net present value for the property.
- direct comparison approach - this approach identifies comparable sales on a dollar per square metre of lettable area basis and compares the equivalent rates to the property being valued to determine the property's market value.

The fair value assessment of the Fund's investments as at the reporting date includes the best estimate of the impacts of the applicable economic conditions and information available at the time of preparation of the financial statements and includes forward looking assumptions.

SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

3. Financial risk management (continued)

(a) Market risk

(i) Price risk

Price risk is the risk that the total value of investments will fluctuate as a result of a change in market prices, whether caused by factors specific to an individual investment, its issuer or a factor affecting all instruments traded in the market, both listed and unlisted.

The Trustee mitigates this price risk through diversification across asset classes, countries and investment managers. The Trustee regularly monitors compliance with the IGF, mandates and supporting investment guidelines.

(ii) Foreign exchange risk

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of assets denominated in other currencies fluctuate due to changes in exchange rates. The table below outlines the net currency exposure of the Fund comprising both monetary and non-monetary assets.

The Trustee employs currency managers to manage its foreign currency exposures arising from the Fund's International investments. The Fund's foreign currency exposure is managed in two pools. One covers its overseas investments in shares with the other covering its foreign investments in the infrastructure, property, private equity and credit income asset classes, with separate benchmark hedge ratios for each pool as determined by the Trustee. These benchmark hedge ratios are determined considering absolute, business and liquidity risk.

The table below summarises the Fund's asset and liabilities that are denominated in a currency other than the Australian dollar. The information in the table below is consistent with the information provided to the Trustee by the currency manager.

2021	US Dollar A\$'000	GB Pound A\$'000	Japanese Yen A\$'000	Euro A\$'000	Other A\$'000	Total A\$'000
Monetary assets						
Foreign exchange contracts *	(2,635,614)	(414,648)	(188,527)	(561,368)	(526,556)	(4,326,714)
Net monetary asset currency	(2,635,614)	(414,648)	(188,527)	(561,368)	(526,556)	(4,326,714)
Non monetary	4,832,714	620,963	367,954	937,758	924,508	7,683,897
Net currency exposure	2,197,100	206,315	179,427	376,390	397,952	3,357,183

2020	US Dollar A\$'000	GB Pound A\$'000	Japanese Yen A\$'000	Euro A\$'000	Other A\$'000	Total A\$'000
Monetary assets						
Foreign exchange contracts *	(850,697)	(319,450)	(77,535)	(207,376)	(251,704)	(1,706,762)
Net monetary asset currency	(850,697)	(319,450)	(77,535)	(207,376)	(251,704)	(1,706,762)
Non monetary	1,946,300	389,826	230,242	410,122	441,173	3,417,663
Net currency exposure	1,095,603	70,376	152,707	202,746	189,469	1,710,901

* Foreign Exchange Contracts are the value of the exchange exposure (rather than the market value of the hedged instruments).

SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

3. Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cashflows. The risk is measured using sensitivity analysis. The Trustee monitors its fixed interest exposure on a monthly basis. The Fund may also enter into derivative financial instruments to mitigate the risk of future interest rate changes.

The Fund's exposure to interest rate movement on those investments at 30 June 2021 and 30 June 2020 were as follows:

2021	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial assets				
Investments				
Cash and cash equivalents	1,288,815	-	1,288,873	2,577,688
Fixed interest	-	106,287	2,181,803	2,288,090
Australian equities	-	-	6,963,165	6,963,165
International equities	-	-	8,083,793	8,083,793
Global floating rate credit	495,803	-	-	495,803
Credit income	160,190	-	282,734	442,924
Other assets	-	-	5,489,481	5,489,481
Cash at bank	101,728			101,728
Derivatives			44,551	44,551
Other receivables			1,374	1,374
Prepayments			736	736
Total financial assets	2,046,536	106,287	24,336,510	26,489,333
Financial liabilities				
Accounts payable	-	-	91,265	91,265
Derivative liabilities	-	-	114,394	114,394
Total financial liabilities	-	-	205,659	205,659

2020	Floating Interest Rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial assets				
Investments				
Cash and cash equivalents	486,801		915,059	1,401,860
Fixed interest		33,594	753,507	787,101
Australian equities			2,998,516	2,998,516
International equities			3,624,392	3,624,392
Global floating rate credit	905,838			905,838
Credit income	159,003		690	159,693
Other assets			2,535,411	2,535,411
Cash at bank	54,642			54,642
Derivatives			107,325	107,325
Other receivables			1,018	1,018
Prepayments			1,796	1,796
Total financial assets	1,606,284	33,594	10,937,714	12,577,592
Financial liabilities				
Accounts payable	-	-	29,193	29,193
Derivative liabilities	-	-	15,423	15,423
Total financial liabilities	-	-	44,616	44,616

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Notes to the Financial Statements

3. Financial risk management (continued)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's net assets available to pay benefits and net revenue to price risk, foreign exchange risk and interest rate risk. The reasonably possible movements in the risk variables have been based on the Trustee's best estimate coming from the annual strategic review process, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market volatility. Actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historical variations in risk variables should not be used to predict future variations in the risk variables.

A positive movement in the variable would result in an increase in the net assets and net revenue of the Fund; a negative movement would have the opposite effect.

		Foreign exchange risk					
	Change in variable	US Dollar A\$'000	GB Pound A\$'000	Japanese Yen A\$'000	Euro A\$'000	Other A\$'000	Total A\$'000
2021	+/- 10%	219,710	20,631	17,943	37,639	39,795	335,718
2020	+/- 10%	109,560	7,038	15,271	20,275	18,947	171,091

		Interest rate risk	Price risk				
		Total Fund	Fixed interest	Australian equities	International equities	Other assets	Total
2021	Change in variable (%)	1%	3%	15%	16%	9%	
	Effect on net assets and net revenue (\$'000)	20,511	65,454	1,044,475	1,293,407	519,499	2,922,835
2020	Change in variable (%)	1%	4%	15%	16%		
	Effect on net assets and net revenue (\$'000)	15,852	30,140	449,777	579,903	228,249	1,288,069

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For the year ended 30 June 2021

3. Financial risk management (continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, or the borrowers chance of default has increased, giving rise to a financial loss to the Fund. The Trustee manages this risk through its use of drawdown limits for individual investments, asset class ranges, extensive due diligence analysis of all prospective investments and ongoing performance monitoring of existing investments. These controls are aimed at preventing a significant exposure to any individual counterparty or industry. These controls ensure the Fund is not subject to any concentration of credit risk.

The Fund's maximum exposure to credit risk at 30 June 2021 is the carrying amount of the Fund's financial assets, net of impairment losses reported in the Statement of Financial Position. This exposure is outlined in the following table:

Financial assets	2021	2020
	\$'000	\$'000
Investments		
Cash and cash equivalents	2,577,688	1,401,860
Fixed interest	2,288,090	787,101
Australian equities	6,963,165	2,998,516
International equities	8,083,793	3,624,392
Global floating rate credit	495,803	905,838
Credit income	442,924	159,693
Property	2,424,383	1,035,474
Infrastructure	2,192,337	1,273,358
Private equity	570,638	220,467
Other investment assets	302,123	6,112
Derivatives	44,551	107,325
Other assets		
Cash at bank	101,728	54,642
Other receivables	2,110	2,814
Total financial assets	26,489,333	12,577,592

The Fund is also exposed to credit risk through investments in fixed interest securities which are rated by Standard and Poors. For unrated assets the Trustee assesses credit risk using an approach similar to that used by rating agencies. An analysis of debt securities by rating is set out in the following table.

Rating	2021	2020
	\$'000	\$'000
AAA	581,585	463,044
AA+	300,767	-
AA	106,676	-
AA-	76,044	33,715
A+	240,289	149,897
A	76,490	-
A-	91,838	-
B- to BBB+	282,296	-
Not rated	532,105	140,445
	2,288,090	787,101

(d) Liquidity risk

The Fund utilises a number of liquidity management tools. These include liquidity ratios, which monitor changes in the Fund's liquidity position over time; outlook charts, which describe the Fund's forecast allocation to illiquid assets; and liquidity stress testing, which is undertaken to test the Fund's resilience to liquidity shocks. In addition the Trustee closely monitors the sources and uses of liquidity, including member contributions, switching and benefit payment patterns. This monitoring program allows the Fund to manage liquidity to ensure the Fund can meet liabilities as and when they fall due.

The Fund's market listed investments are considered to be readily realisable. The Trustee recognises and accepts that, in general, unlisted assets will not be as liquid. The Fund's allocation to unlisted assets aims to improve returns as a result of the Fund's ability to invest in less liquid assets; however, there is a risk that the Fund may not be able to liquidate all of these assets at their net market value in order to meet its liquidity requirements. The Trustee has considered the risk of a critical liquidity event and has developed a framework and processes within its Liquidity Policy for dealing with such a scenario.

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Notes to the Financial Statements
For the year ended 30 June 2021

3. Financial risk management (continued)

(d) Liquidity risk (continued)

The following tables summarise the contractual maturities of the Fund's financial liabilities, based on the remaining period to the contractual maturity date at the year end and represent the earliest date on which the Fund could be required to pay.

30 June 2021	1 year or less A\$'000	1 to 5 years A\$'000	> 5 years A\$'000	Total A\$'000
Financial liabilities				
Accounts payable	91,265	-	-	91,265
Member liabilities	25,221,590	-	-	25,221,590
Derivatives				
Inflows	6,642,006	-	-	6,642,006
(Outflows)	(6,711,850)	-	-	(6,711,850)
Total derivatives	(69,844)	-	-	(69,844)

30 June 2020	1 year or less A\$'000	1 to 5 years A\$'000	> 5 years A\$'000	Total A\$'000
Financial liabilities				
Accounts payable	29,193	-	-	29,193
Member liabilities	12,235,149	-	-	12,235,149
Derivatives				
Inflows	2,708,026	-	-	2,708,026
(Outflows)	(2,616,125)	-	-	(2,616,125)
Total derivatives	91,901	-	-	91,901

Member liabilities (refer Note 6) has been included in the less than one year 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.

Derivatives have been disclosed on a gross settlement basis and are based on the remaining period to the contractual maturity date at the year end.

(e) Environmental, social and governance (ESG) risk

The Fund's goal is to grow and protect members' retirement savings over the long-term. Environmental, social and governance (ESG) risks and opportunities can have a material impact on investment outcomes. How a company is managed, how it operates, and how it impacts the environment and society all affect a company's likelihood of long-term and sustainable success.

The Fund takes an integrated approach to ESG risk management by considering ESG risks, impacts, and opportunities throughout the entire life of the investment process. This is achieved through the following:

- Engage with companies the Fund invests in to improve their operations;
- Vote at shareholder meetings to influence company governance; and
- Collaborate with industry groups on responsible investment practices.

The Fund's ESG Investment Principles, which are detailed in its ESG Policy and available on the Fund's website, forms the basis of the Fund's ESG procedures and activities and are complimentary, and align with, the UNPRI's (UN Principles for Responsible Investment) six principles for responsible investment.

Key ESG risks that are currently considered when investing include climate change, modern slavery, diversity, governance, and remuneration.

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Notes to the Financial Statements
For the year ended 30 June 2021

3. Financial risk management (continued)

(f) Derivative financial instruments

The use of derivatives is an essential part of the Trustee's investment management. Derivatives are not managed in isolation. The Trustee enters into derivative contracts to hedge its foreign currency and its interest rate exposure within its fixed income mandates. In the prior year, the Fund also entered into futures contracts to hedge against equity movements. Derivatives are not used to leverage any investments of the Fund. The following table outlines the risk exposures relating to derivatives held by the Fund as well as the market values of those contracts as at balance date.

	Notional Effective Exposure \$'000	Net Market Value \$'000
2021		
Forward foreign exchange contracts	(6,652,593)	(71,815)
Futures contracts	(59,257)	1,971
Total	(6,711,850)	(69,844)

	Notional Effective Exposure \$'000	Net Market Value \$'000
2020		
Forward foreign exchange contracts	(2,615,351)	62,855
Futures contracts	(774)	29,046
Total	(2,616,125)	91,901

4. Fair value measurements

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 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.

Fair value of investments and derivatives have been determined as follows:

(i) Level 1 investments:

These include shares quoted on active markets, cash and cash equivalents, and fixed interest investments, and are based on the last quoted sales price as at year end.

(ii) Fixed floating interest securities:

These include fixed and floating income securities not traded on public exchanges; these securities are valued at last trade quotations at year end. While not traded on a public exchange, there is sufficient liquidity in these over the counter markets to use the last trade quotation at year end.

(iii) Shares in unlisted securities and unit trusts:

Unlisted securities in infrastructure investments are stated at the Trustee's valuation based on the advice of the Fund's investment managers and external valuers at the balance date. Private equity investments are valued on the basis of bid prices as determined by the managers of the trusts at the balance date or based on the advice of the Funds external valuers at balance date. The unit prices are based on the valuations of the underlying securities, and the fund managers of unlisted assets typically appoint an independent valuer to value the underlying assets at least annually.

Unlisted assets are typically valued using appraisal based methodologies such as Discounted Cash Flow models combined with an assessment of actual sales of comparable assets and price indicators from listed markets.

(iv) Derivative financial instruments:

The Group uses derivative financial instruments to hedge its exposures to foreign exchange, equity market price risk, and interest rate risk arising from investment activities. The Fund does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments including forward exchange contracts and fixed rate futures are recorded at market rates at close of business on the balance date.

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4. Fair value measurements (continued)

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Fund commits to purchase the asset.

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.

(a) Fair value hierarchy

AASB 7 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources. As noted above, market analyses were performed weekly with all Level 1 valuations using the year end strike price for valuation purposes.
- 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 (that is, derived from prices). These inputs must be observable for substantially the full term of the financial instrument. As noted above, market analyses were performed weekly with unit prices obtained at or close to 30 June 2021 to ensure accurate and valid fair values were adopted.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). This includes any instrument that is not categorised in Level 1 or Level 2 and includes assets that are subject to various valuations methodologies to determine their fair value. Refer to Note 3 for discussions on the additional steps taken by the Fund to ensure Level 3 assets were valued appropriately.

The level in the fair value hierarchy 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 in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2021 and 30 June 2020. The Fund engages independent accredited valuers to provide an estimate of the market value for these investments on an annual or more frequent basis. The Investment Committee with its knowledge of the investment and relevant factors and with advice from its asset consultants, will determine the most appropriate value for the investment within a provided range as advised by the independent accredited valuers. An analysis of the valuation ranges for these assets is provided in Note 4(b). There were no transfers between Level 1 and 2 in the period. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

2021	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	1,288,815	1,288,873	-	2,577,688
Fixed interest	106,351	2,181,739	-	2,288,090
Australian shares	6,745,759	217,406	-	6,963,165
International shares	6,165,045	1,918,748	-	8,083,793
Global floating rate credit	-	495,803	-	495,803
Credit income	-	318,659	124,265	442,924
Property	-	1,713,300	711,083	2,424,383
Infrastructure	115,012	678,070	1,399,255	2,192,337
Private equity	-	513,794	56,844	570,638
Other investment assets	-	302,123	-	302,123
Derivatives assets	-	44,551	-	44,551
Total	14,420,982	9,673,066	2,291,447	26,385,495
Derivative liabilities	-	114,394	-	114,394
Total financial assets/liabilities	14,420,982	9,558,672	2,291,447	26,271,101

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For the year ended 30 June 2021

4. Fair value measurements (continued)

2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	562,423	839,437	-	1,401,860
Fixed interest	33,594	753,507	-	787,101
Australian equities	2,998,516	-	-	2,998,516
International equities	3,092,722	531,670	-	3,624,392
Global floating rate credit	-	905,838	-	905,838
Credit income	-	-	159,693	159,693
Property	-	-	1,035,474	1,035,474
Infrastructure	112,628	-	1,160,730	1,273,358
Private equity	-	48,217	172,250	220,467
Other investment assets	-	6,112	-	6,112
Derivatives assets	-	107,325	-	107,325
Total	6,799,883	3,192,106	2,528,147	12,520,136
Derivative liabilities	-	15,423	-	15,423
Total financial assets/liabilities	6,799,883	3,176,683	2,528,147	12,504,713

Reconciliation of Level 3 fair value measurements of financial assets:

2021	Opening balance \$'000	Transfers out of level 3 \$'000	Changes in fair value \$'000	Total purchases \$'000	Total Sales \$'000	Closing balance \$'000	Unrealised gains/(losses) in profit or loss \$'000
Credit income	159,693	(159,693)	1,189	124,305	(1,228)	124,266	405
Property	1,035,474	(386,004)	77,180	9,615	(25,182)	711,083	72,637
Infrastructure	1,160,730	(4,345)	48,635	225,145	(30,911)	1,399,254	27,000
Private equity	172,250	(125,849)	10,443	-	-	56,844	10,443
Total	2,528,147	(675,891)	137,447	359,065	(57,321)	2,291,447	110,485

2020	Opening balance \$'000	Transfers out of level 3 \$'000	Changes in fair value \$'000	Total purchases \$'000	Total Sales \$'000	Closing balance \$'000	Unrealised gains/(losses) in profit or loss \$'000
Credit income	218,766	-	(1,162)	104,736	(162,647)	159,693	(6,003)
Property	1,014,272	-	12,755	8,447	-	1,035,474	25,029
Infrastructure	1,211,314	-	(231,621)	181,037	-	1,160,730	(225,468)
Private equity	180,485	-	(11,707)	3,541	(69)	172,250	(10,249)
Total	2,624,837	-	(231,735)	297,761	(162,716)	2,528,147	(216,691)

(b) Analysis of valuation ranges

The Fund engages independent valuers to provide an estimate of the net market value at balance date. Valuers often provide a range of values for an investment across a variety of reasonable assumptions, including a point estimate within the range, and the Trustee, with advice from its asset consultant, will determine the most appropriate value within the provided range. The following table shows the high and low points of the independent valuation ranges for each investment class against the values adopted by the Trustee as at 30 June 2021 and 30 June 2020. The high and low points of the ranges represent reasonably possible alternatives to the Fund values adopted at balance date.

Investment Class	30 June 2021			30 June 2020		
	Low Point Value	High Point Value	Adopted Value	Low Point Value	High Point Value	Adopted Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Credit income	124,265	124,265	124,265	157,295	161,302	159,693
Property	677,928	771,615	711,083	995,655	1,093,263	1,035,474
Infrastructure	1,284,542	1,516,238	1,399,255	1,087,292	1,238,137	1,160,730
Private equity	51,234	67,855	56,844	169,155	179,354	172,250
Total	2,137,969	2,479,973	2,291,447	2,409,397	2,672,056	2,528,147

The Level 3 assets outlined above are investments where prices are not quoted in an active market or values cannot be derived indirectly from listed prices. For its direct investments, the Trustee engages independent accredited valuers to provide an estimate of the market value for these investments on an annual or more frequent basis. With the exception of credit income and property, a discounted cash flow model is used to value the Level 3 assets. For property assets, both a discounted cash flow model and capitalisation approach are used.

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4. Fair value measurements (continued)

(i) Credit income

As at 30 June 2021 the Fund has credit income assets of \$124m (2020: \$159.7m) categorised as level 3, which include corporate and securitised bonds, loans and other floating rate interest instruments. Credit income assets are valued using a market yield approach which is a form of the income method whereby the valuer determines the fair value of a debt security based on a selected yield. The yield represents the discount rate that is applied to discount the interest and principal payments to a present value over the term of the instrument. The valuation process and technique has not changed compared to the previous year.

Unobservable inputs and assumptions can include the appropriate credit spread and other risk premium, risk free discount rate, future cash flows, identification of appropriate comparable and future economic and regulatory conditions. The Fund is not privy to the unobservable inputs and assumptions used by the underlying investment manager and is therefore not able to quantify the effect of a movement in an unobservable input or assumption.

(ii) Private equity

As at 30 June 2021 the Fund has private equity of \$56.8m (2020: \$172.3m) categorised as level 3, which include unlisted unit trusts, partnerships and unlisted managed funds. These investments are recorded at the redemption value at balance date, as provided by the external investment manager or general partner.

(iii) Property and Infrastructure

The income approach is applied where there is not a liquid market and where the asset/enterprise independent valuer valuing the underlying assets from the projected cashflows on a Net Present Value (NPV) or Discounted Cashflow (DCF) basis. With regards to properties, independent valuers may also use the capitalisation and/or direct comparison methodologies.

Significant unobservable input	Fair value impact from significant increase in input	Fair value impact from significant decrease in input
Capitalisation rate	Decrease	Increase
Discount rate	Decrease	Increase

30 June 2021

Asset class	Key unobservable input	Fair value	Range of inputs	Relationship of unobservable to fair value
Infrastructure	Discount rate	1,399,255	7.25% - 10.2%	Increase/(decrease) by 50 bps would (decrease)/increase fair value by \$94.4m.
Property	Capitalisation rate	711,083	4.75% - 5.75%	Increase/(decrease) by 50 bps would (decrease)/increase fair value by \$85.7m - \$103.4m.
	Discount rate		6.5% - 19.6%	Increase/(decrease) by 50 to 100 bps would (decrease)/increase fair value by \$0.1m - \$1.6m.

The majority of Property assets were valued using both a capitalisation approach and DCF basis; noting the sensitivity analysis above captures the key inputs, where both approaches were used the discount rate range was 6.25% - 7.50%.

30 June 2020

Asset class	Key unobservable input	Fair value	Range of inputs	Relationship of unobservable to fair value
Infrastructure	Discount rate	1,160,730	7.5% - 10.2%	Increase/(decrease) by 50 bps would (decrease)/increase fair value by \$93.5m.
Property	Capitalisation rate	1,035,474	4.75% - 6.10%	Increase/(decrease) by 50 bps would (decrease)/increase fair value by \$86.6m - \$104.0m.
	Discount rate		7.0% - 20.7%	Increase/(decrease) by 50 to 100 bps would (decrease)/increase fair value by \$1.6m - \$2.0m.

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5. Changes in fair value of investments

	2021	2020
	\$'000	\$'000
Investments held at balance date		
Level 1 and 2 instruments		
Cash and cash equivalents	3,540	903
Fixed interest	17,427	19,400
Australian equities	904,561	(171,483)
International equities	705,656	(154,157)
Credit income	(24,663)	-
Global floating rate credit	879	32,515
Property	71,396	-
Infrastructure	10,208	(47,077)
Private equity	52,772	(2,664)
Other investment assets	9,309	-
Derivatives	(91,249)	61,677
Level 3 instruments		
Credit income	405.00	(6,003)
Property	72,637	25,029
Infrastructure	27,000	(225,468)
Private equity	10,443	(10,249)
	<u>1,770,321</u>	<u>(477,577)</u>
Investments realised during the year		
Level 1 and 2 instruments		
Cash and cash equivalents	(20,546)	(851)
Fixed interest	(42,040)	(1,122)
Australian equities	123,169	(79,397)
International equities	(232,514)	(9,889)
Global floating rate credit	55,065	(59,793)
Credit income	(359)	-
Infrastructure	(305)	-
Property	7,498	-
Private equity	109	(258)
Other investment assets	(39)	-
Derivatives	125,388	(74,281)
Level 3 instruments		
Credit income	-	3,679
Property	(165)	(304)
Infrastructure	(79)	(521)
Private equity	-	59
	<u>15,182</u>	<u>(222,678)</u>
Change in fair value of investments	<u>1,785,503</u>	<u>(700,255)</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/if acquired during the year.

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Notes to the Financial Statements
For the year ended 30 June 2021

6. Liability for member benefits

(a) Defined contribution member liabilities

Defined contribution 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. The Trustee's management of the investment market risks is as disclosed within note 3.

Member account balances are determined by unit prices that are determined based on the underlying investment movements.

Members bear the investment risk relating to the underlying assets and unit prices used to measure the members liabilities. Unit prices are updated daily for movements in investment markets.

At 30 June 2021 \$1,664,437 (2020: \$3,120,931) have not been allocated to members' accounts. The amount not yet allocated to members' accounts consists of contributions received by the Fund that have not been able to be allocated to members as at balance date.

Member liabilities vest 100% to members.

	2021	2020
	\$'000	\$'000
Members liability at end of the financial year	<u>25,221,590</u>	<u>12,235,149</u>
Reserves	420,381	162,124
Net assets available to pay benefits	<u>25,643,635</u>	<u>12,400,393</u>

Unallocated contributions have been individually disclosed on the Statement of Financial Position as at 30 June 2021. As a result, member liabilities have been restated by \$3,120,931 for the year ended 30 June 2020, to adjust for the reclassification of unallocated contributions.

(b) Defined benefit member liabilities

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at the date when they are expected to fall due. The amount of accrued benefits has been determined on the basis of the present value of the expected future payments which arise from membership of the Fund up to the measurement date.

The figure reported has been determined by reference to the expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The valuation of the defined benefit member liabilities is performed by the Fund's appointed Actuary on an annual basis for each of its defined benefit sub funds.

The actuarial value of the defined benefit member liability reflects an actuarial assessment of benefits accrued up to the date of calculation and payable to members on resignation, retirement, death and disablement. This assessment may result in an employer being required to make additional contributions to the sub fund. Each sub fund is quarantined from the others and the other assets of the Fund. In the event that the assets of a particular sub fund is not adequate to meet the member's liabilities and that there are insufficient employer contributions, the defined benefit member liabilities are limited to the assets of the particular sub fund.

The main assumptions used to determine the values of the accrued benefits for each of the Fund's sub funds were:

- Future rate of investment return of investments forecasted for each defined benefit sub fund 3.75% - 4.75% per annum
- Future rate of salary increase forecasted at 2.75% per annum

The Fund's Actuary considers the following movements in the main assumptions used to determine the values of the accrued benefits are reasonably possible for the 2020-21 reporting period:

- Future rate of investment return +/- 1%
- Future rate of salary increase +/- 1%

The impact of the reasonably possible changes in these key assumptions are shown below:

Reasonable possible change in key assumptions	Increase/(decrease) in DB member liabilities \$'000
Increase / (decrease) in future rate of investment return +/- 1% and no change in future rate of salary increase	2021: 150,315 / (151,005)
Increase / (decrease) in future rate of salary increase by +/- 1% and no change in future rate of investment returns	2021: 151,009 / (150,310)
Increase / (decrease) in future rate of investment return +/- 1% and increase / (decrease) in future rate of salary increase by +/- 1%	2021: 301,324 / (301,315)

The amount of the vested benefits attributable to defined benefit members as at 30 June 2021 is \$149,424,290.

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6. Liability for member benefits (continued)

(b) Defined benefit member liabilities (continued)

The following table may provide some assistance in summarising the financial condition of the sub-funds:

	Effective date of last actuarial review (valuation date)	Actuarial value of accrued benefits for defined benefit members at valuation date	Actuarial value of accrued benefits for defined contribution members at valuation date	Vested benefits for defined benefit members at valuation date	Net assets for defined benefit member at valuation date	Over funded
2021	30/06/2021	114,655,750	35,905,480	149,424,290	168,753,964	18,192,734

*In the Actuary's opinion all the sub funds at valuation date were in a satisfactory financial condition

7. Funding arrangements

Employers provided contributions with respect of defined contribution members at a rate of 9.5% (2020: 9.5%) of the gross salaries of the employees. Members contributions were made in accordance with the requirements of the Trust Deed pursuant to applications contained in the product disclosure statements and supplements on issue by the Trustee during the year.

The funding policy adopted in respect of the Fund is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. As such, in framing employer contribution rates for the defined benefit funds, the Actuary has considered long-term trends in such factors as Fund membership, the surplus position, salary growth and average market value of Fund assets.

The employers contributing to the defined benefit funds contribute at the rates recommended by the Actuary.

8. Reserves

The Fund maintains an Operational Risk Reserve, in accordance with the requirements established by APRA under Prudential Standard SPS 114 Operational Risk Financial Requirement, and also holds Administration and Direct investment reserves.

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, which is applicable to all APRA-regulated funds. The current Operational Risk Reserve represents approximately 0.28% (2020: 0.27%) of the net assets of the Fund. The Trustee has an Operational Financial Risk Requirement target of 27.5 basis points. During the current and previous financial year, there were no drawdowns made against the Operational Risk Reserve related to an operational risk event.

The General Reserve represents that pool of funds required to meet the general operating and administration costs of the Fund and any unexpected or otherwise unforeseeable operating costs that may arise. Administration levies are deducted from members' accounts to fund the Reserve. It also receives and distributes net investment earnings, (that is, income and capital gains from investments less tax and other relevant deductions). Investment related expenses, including investment related tax expenses, are met from this reserve.

The Fund has established its Insurance Reserve to meet future insurance premium costs given the insurance premium adjustment mechanism in place with the group life insurer. This adjustment mechanism is only applicable for the period to 30 June 2021 noting that any insurance premium payable amounts may be paid after 30 June 2021.

9. Operating expenses

	Note	2021 \$'000	2020 \$'000
Advertising and sponsorships		2,963	4,831
Professional services fees		310	390
Field force expenses		3,461	4,067
Regulatory fees		1,111	1,154
Secretariat expenses (non-investment)	17(c)	15,353	8,580
Trustee expenses		1,144	936
Merger-related expenses		7,517	1,942
Other operating expenses		7,053	3,931
Total operating expenses		38,912	25,831

SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

9. Operating expenses (continued)

Merger-related expenses relate to costs incurred solely to facilitate the merger between the Fund and Tasplan Superannuation Fund. These costs are one-off in nature and not expected to occur once the merger is complete. Merger-related costs are expensed in the Income Statement unless the costs relate to the purchase of capital items such as additional IT hardware or leasehold improvements. Where such costs are incurred, these are capitalised in the Statement of Financial Position as fixed assets. Up to the successor fund transfer date (1 April 2021), each fund incurred their share of the merger cost.

10. Investment expenses

	2021	2020
	\$'000	\$'000
Investment management and performance fees	39,399	34,260
Trustee expenses	447	458
Investment consulting fees	7,429	7,787
Secretariat expenses (investment related)	4,346	1,884
Other investment expenses	2,976	1,656
Total investment expenses	54,597	46,045

Included in Investment consulting fees are expenses paid to the Fund's asset consultants to manage some of its unlisted assets.

11. Insurance

The Fund provides death and disability benefits to members. These benefits are greater than the members' vested benefits and as such the Trustee has a Fund policy in place with a third party to insure death and disability benefits in excess of vested benefits. The Trustee acts as an agent for these arrangements.

12. Income Tax

	2021	2020
	\$'000	\$'000
(a) Major components of income tax expenses:		
Income Statements		
<i>Current tax expenses:</i>		
- Current tax charge	134,383	(80,252)
- Adjustments in respect of current income tax of previous years	31,082	(22,128)
<i>Deferred tax:</i>		
- Relating to the originating and reversal of temporary differences	88,149	50,562
- Adjustments in respect of current income tax of previous years	(1,761)	-
Income tax expense as reported in the income statement	251,853	(51,818)

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

Profit/(loss) from operating activities	2,829,399	(244,791)
Income tax at 15%	424,410	(36,719)
Imputation credits and other tax credits	(53,261)	(45,390)
Investment income	(117,175)	6,412
(Over)/under provision in prior years	29,322	22,128
Exempt pension income	(29,490)	1,223
Tax allocated to members funds	(50)	528
	253,756	(51,818)

The above income tax expense is separate to the \$136.9m tax on members' contributions disclosed on the Statement of Changes in Member Benefits.

SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

12. Income Tax (continued)

(c) Deferred tax

	2021	
Opening balance	Charged to income	Closing balance
\$'000	\$'000	\$'000
Deferred tax assets		
Other	2,024	2,762
	738	2,762
Deferred tax liabilities		
Unrealised gains in investments subject to CGT	245,283	425,454
	180,171	425,454
2020		
Opening balance	Charged to income	Closing balance
\$'000	\$'000	\$'000
Other	(111)	738
	849	738
Deferred tax liabilities		
Unrealised gains in investments subject to CGT	(50,673)	180,171
	230,844	180,171

(d) Tax accounting policy

The Fund is a complying superannuation fund for the purposes of the provisions of the *Income Tax Assessment Act 1997*. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income.

Income tax in the Income Statement for the year comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

12. Income Tax (continued)

(d) Tax accounting policy (continued)

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

13. 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:

	2021	2020
	\$'000	\$'000
Reconciliation of cash		
The figure shown for cash in the Statement of Cash Flows consists of:		
Cash and cash equivalents	101,728	54,642
Reconciliation of net profit after income tax to net cash from operating activities		
Profit / (loss) after income tax	150,460	(27,534)
Adjusted for:		
(Increase)/decrease in assets measured in fair value	(2,879,457)	202,343
Depreciation and impairment	576	222
(Increase)/decrease in insurance	(11,038)	3,063
Decrease/(increase) in receivables	2,487	(373)
(Decrease)/increase in payables	(16,653)	3,960
Increase/(decrease) in income tax payables	223,230	(174,470)
Allocation to member's accounts	2,427,086	(165,441)
Net cash (outflow) from operating activities	(103,309)	(158,230)

14. Commitments

As at 30 June 2021, the Fund had commitments of \$720.7m (2020: \$489.1m) in respect of uncalled elements of its investments. The uncalled commitments relate to the Fund's private equity investments, property and infrastructure investments. Time bands cannot be placed on those commitments, as it is difficult to predict the exact timing and pace of capital calls for any commitment based investment.

15. Contingent assets and liabilities

There were no material contingent assets or liabilities at the reporting date (2020:nil).

16. Significant events after balance date

There has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the operation of the Fund, the result of those operations, or the state of affairs of the Fund in future financial years.

SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

17. Related parties

(a) Trustee and key management personnel

The Trustee of the Fund throughout the year was Motor Trades Association of Australia Superannuation Fund Pty. Limited (ABN 14 008 650 628). The following directors of the Trustee were key management personnel during all or part of the reporting period up to the signing date:

Independent Chair

J. Brumby (ceased 1 April 2021)
N. Edwards (appointed 1 April 2021)

Independent Directors

S. Dahn
A. O'Donnell

Employer Nominated Directors

D. A. Rowland* (ceased 1 April 2021)
P. Savige*
G. Lowe*
J. Mazengarb (appointed 1 April 2021)
S. Parr* (appointed 1 April 2021)

Member Representative Directors

R. O'Donnell*
D. Smith*
S. Walpole* (ceased 1 April 2021)
J. Munday (appointed 1 April 2021)
T. Lynch (appointed 1 April 2021)

The following executive officers were key management personnel during all or part of the reporting period up to the signing date:

Executives

L. Turner (Chief Executive Officer)
M. Sykes* (Deputy Chief Executive Officer & Executive Manager, Finance- ceased 31 March 2021)
P. Brown (Executive Manager, Investments - ceased 16 October 2020)
C. Porter* (Executive Manager, Operations - ceased 31 March 2021)
M. Irving* (Executive Manager, Marketing, Communications, Education & Advice - ceased 31 March 2021)
G. Angeles (Acting Executive Manager, Finance - ceased 31 March 2021)
G. Angeles (Chief Finance Officer - appointed 1 April 2021)
R. Judd* (Chief of People and Culture - appointed 1 April 2021)
K. Crawford* (Chief Operating Officer - appointed 1 April 2021)
N. Lyons* (Chief Strategy Officer - appointed 1 April 2021)
R. Barry* (Chief Investment Officer - appointed 28 September 2020)
A. Ward* (Chief of Governance, Risk and Compliance - appointed 1 April 2021)
A. Mehl (Head of Technology - appointed 26 October 2020)
A. Thuaux (Head of Member Growth - appointed 1 April 2021)
S. O'Malley* (Head of Investment - appointed 1 April 2021)
S. Tallentire (Head of Risk - appointed 1 April 2021)

* These persons are members of Spirit Super. Their membership terms and conditions are the same as those applied to other members of the Fund.

(b) Compensation of key management personnel

The Trustee directors are remunerated for their services to the Trustee and the Fund. Directors are paid an annual fixed amount.

Compensation of the Trustee's directors and the executives as listed in 16(a) was:

	2021	2020
	\$	\$
Short-term employer benefits	3,860,097	2,560,287
Post-employment benefits	295,809	217,340
Termination	825,743	-
Long-term benefits	137,484	103,917
	<u>5,119,133</u>	<u>2,881,544</u>

All key management personnel are also reimbursed for reasonable expenses incurred in carrying out their duties for the Trustee.

SPIRIT SUPER
Notes to the Financial Statements
For the year ended 30 June 2021

17. Related parties (continued)

(c) Related party transactions

Motor Trades Association of Australia Superannuation Fund Pty Limited

Motor Trades Association of Australia Superannuation Fund Pty Limited, the Trustee, is fully reimbursed from the Fund for all expenditure incurred on its behalf.

Motor Trades Association of Australia Ltd

Motor Trades Association of Australia Ltd ("MTAA Ltd") is an employer sponsor to the Fund and the former shareholder of the Trustee.

There were no services acquired from or payments to MTAA Ltd in the current reporting period (2020: Nil).

MTAA Superannuation Fund (Secretariat Co.) Pty Ltd

MTAA Superannuation Fund (Secretariat Co.) Pty Ltd ("Secretariat Co.") is wholly owned by the Fund. The Fund utilises Secretariat Co. as a management services company through which it engages staff to provide secretariat and related support services to the Fund. In addition to director and staff-related costs which includes learning and development costs, Secretariat Co. also incurs occupancy costs associated with Spirit Super's offices, software and IT-related costs.

Secretariat Co.'s running costs are reimbursed on a full cost recovery basis from the Fund. This amounts to \$25,360,118 for the 2021 year (2020: \$16,042,489).

J. Brumby and D. Rowland ceased as directors of Secretariat Co as at 1 April 2021.

The Fund's CEO, L. Turner is the sole director of Secretariat Co. as at balance date. There are no directors' fees paid or payable to director of Secretariat Co for these positions.

Quadrant First Pty Ltd

The shares in Quadrant First Pty Ltd (QFPL) were sold to MTAA Superannuation Fund (Secretariat Co.) Pty Limited on the 31 March 2021.

At 30 June 2021, \$Nil was receivable from QFPL. The Fund paid QFPL \$204,725 for the provision of financial planning services including the provision of authorisations to employees of the Fund. At 30 June 2021 \$218,350 was payable to QFPL. The Fund's CEO, L. Turner and Alan Thuaux (Head of Member Growth) are the directors of QFPL as at balance date. There are no directors' fees paid or payable to directors of QFPL for these positions.

QT Investment Management Pty Ltd

QT Investment Management Pty Ltd was transferred to Spirit Super as part of the successor fund transfer.

Spirit Super holds 100% of the units in QT Investment Management Trust (unit trust). During the year, the Fund received \$1,188,461 in income distributions.

The Fund's CEO, L. Turner is the sole director of QT Investment Pty Ltd. as at balance date. There are no directors' fees paid or payable to director of QT Investment Management Pty Ltd for these positions.

Tasplan Pty Ltd

At 30 June 2021, John Mazengarb is the sole shareholder for Tasplan Pty Ltd. Both John Mazengarb and Naomi Edwards are directors of Tasplan Pty Ltd.

There are no directors' fees paid or payable to directors of Tasplan Pty Ltd for the period 1 April 2021 to 30 June 2021.

Industry Super Holdings

Spirit Super has a 5.16% holding in Industry Super Holdings Pty Ltd (ISH) (2020: 4.6%), which through the following subsidiaries provides services to the Fund as follows:

IFS Insurance Solutions Pty Ltd (IFSIS) provides insurance broking and insurance consulting services to Spirit Super. These services are provided under normal commercial terms and conditions. Fees for services provided during the year amounted to \$51,743 (2020: \$49,321).

Industry Fund Credit Control Pty Ltd (IFCC) provides debt collection services to Spirit Super. These services are provided under normal commercial terms and conditions. There were no services acquired from or payments to IFCC in the current reporting period (2020: \$Nil).

Industry Fund Financial Planning (IFFP) provides financial planning services to the Spirit Super for the Fund's members. These services are provided under normal commercial terms and conditions. Fees for services provided during the year amounted to \$457,502 (2020: \$503,940).

Industry Super Australia (ISA) provides marketing, research and policy information services. MTAA Super jointly funds the marketing campaign of ISA and contributes funding for policy development and research. Fees for services provided during the year amounted to \$1,623,941 (2020: \$1,589,711).

L. Turner was a director of ISA during the financial year. There was no remuneration paid for this directorship.

SPIRIT SUPER

Notes to the Financial Statements For the year ended 30 June 2021

17. Related parties (continued)

(d) Controlled entities

The Fund has multiple investments which it controls. However, the Fund has determined that it is an investment entity under the definition in AASB 10 Consolidated Financial Statements as it meets the following criteria:

1. The Fund obtains funds from members for the purpose of providing those members with investment management services;
2. The Fund commits to its members that its business purpose is to invest solely for returns from capital appreciation, investment income, or both; and
3. The Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund has established a number of investment vehicles known as special purpose entities (SPE's) for trading, investment, investment administration and support services. Control is achieved when the Fund:

- * has power over the investee
- * is exposed, or has rights, to variable returns from its involvement with the investee; and
- * has the ability to use its power to affect its returns.

The Fund has concluded that of the controlled SPE's, MTAA Superannuation Fund (Secretariat Co.) Pty Ltd is a service entity that provides administration and support services to the Fund. The Fund has deemed them to be immaterial for consolidation purposes.

All other controlled SPE's are deemed to be Investment Entities as they have been established for the purpose of holding investments. The Fund measures and evaluates the performance of the investments on a fair value basis. As such, these entities have not been consolidated and are accounted for at fair value.

Each SPE's principal place of business is 39 Brisbane Avenue, Barton, ACT 2600. The following table is a list of all active SPE's during the reporting period, the relevant asset class and the Fund's ownership interest in each. Dormant entities have not been listed.

	Ownership Interest %	
	2021	2020
Property		
MTAA Superannuation Fund (121 Marcus Clarke Street - Parking) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (121 Marcus Clarke Street) - Property Pty Ltd *	100%	100%
MTAA Superannuation Fund (40 Market Street) Property Pty Ltd *	100%	100%
MTAA Superannuation Fund (Alkimos) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Chapel Street) Property Pty Ltd*	100%	100%
MTAA Superannuation Fund (Ferntree Business Park) Property Pty Ltd*	100%	100%
MTAA Superannuation Fund (Flagstone Creek and Spring Mountain Park) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Storage) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Storage No. 1) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Storage No. 2) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports Stores) Property Pty Ltd	100%	100%
MTAA Superannuation Fund (Flinders Ports) Utilities Pty Ltd	100%	100%
MTAA Superannuation Fund (R. G. Casey Building) Property Pty Ltd *	100%	100%
MTAA Superannuation Fund (100 Broadway) Property Pty Ltd *	100%	100%
Infrastructure		
MTAA Superannuation Fund (Air-Serv International Holding) Utilities Pty Ltd	100%	100%
MTAA Superannuation Fund (Latin Power) Utilities Pty Ltd	100%	100%
MTAA Superannuation Fund (MIP) Infrastructure Pty Ltd	100%	100%
MTAA Superannuation Fund (NTL Broadcast) Utilities Pty Ltd	100%	100%
Private Equity		
MTAA Superannuation Fund (Companion Funds) Private Equity Investments Pty Ltd	100%	100%
MTAA Superannuation Fund (Icon Parking Services) Utilities No. 1 Pty Ltd	100%	100%
MTAA Superannuation Fund (Icon Parking Services) Utilities No. 2 Pty Ltd	100%	100%
MTAA Superannuation Fund (MGOP) Private Equity Investments Pty Ltd	100%	100%
MTAA Superannuation Fund (SALSA) General Partner Pty Ltd	100%	100%
MTAA Superannuation Funds (SALSA) Research and Development Pty Ltd	100%	100%
Service Entities		
MTAA Superannuation Fund (Secretariat Co.) Pty Ltd	100%	100%
Quadrant First Pty Ltd	100%	0%
Other		
QT Investment Management Pty Ltd (transferred to the Fund as part of successor fund transfer)	100%	0%

The Fund has used borrowings in both the current and comparative years within a number of SPEs which are indicated by (*) in the table above. A summary of each SPEs borrowing arrangements is outlined below.

MTAA Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2021

17. Related parties (continued)

(d) Controlled entities (continued)

- MTAA Superannuation Fund (121 Marcus Clarke Street) Property Pty Ltd

The SPE had an interest only loan of \$34,550,000 which was reduced to nil following disposal of the remaining 50% of its interest in the above mentioned office building. The average variable rate on the loan for the year ending 30 June 2021 was 0.10% (2020: 0.91%). This loan that was held against this property was discharged as part of the disposal.

The SPE did not breach any of its covenants during the year.

- MTAA Superannuation Fund (Chapel Street) Property Pty Ltd

MTAA Superannuation Fund (Chapel Street) Property Pty Ltd ("Chapel Street"), acts as trustee for the MTAA Superannuation Fund (Chapel Street) Property Trust. Chapel Street holds the Fund's 100% interest in the 670 Chapel Street, Vogue Plaza building in South Yarra, Melbourne, Victoria.

The SPE has a 5-year interest only loan of \$46,000,000. The loan will mature on 22 December 2020. The facility includes a line fee payable at 1.30% of the loan limit. The average variable rate on the loan for the period ending 30 June 2021 was 0.10% (2020: 0.80%).

The SPE entered into a 5-year fixed interest rate swap for the full amount of the Chapel Street loan as of 22 December 2020 to 22 December 2025. The fixed rate in the swap is 2.44%.

The bank loan is secured by the first mortgage over Chapel Street's interest in the property at 670 Chapel Street, Melbourne, a letter of support from the Trustee of the MTAA Superannuation Fund and a first registered General Security Deed from Chapel Street over all its assets and undertakings held as trustee of the MTAA Superannuation Fund (Chapel Street) Property Trust. The SPE did not breach any of its covenants during the year.

- MTAA Superannuation Fund (RG Casey) Property Pty Ltd

MTAA Superannuation Fund (RG Casey) Property Pty Ltd ("RG Casey"), acts as trustee for the MTAA Superannuation Fund Property (RG Casey Building) Trust. RG Casey holds the Fund's 100% interest in the RG Casey Building in Brisbane Ave, Barton, ACT.

The SPE entered into a new 3.5-year interest only loan of \$154,100,000 as of 28 December 2012 after finalisation of a further 15-year lease with the tenant. The loan was further refinanced on 29 July 2016 for another 7 years in the amount of \$155,000,000. The facility includes a line fee payable at 1.75% of the loan limit. The average variable rate on the loan for the year ending 30 June 2021 was 0.11% (2020: 0.89%).

In July 2016 RG Casey entered into a 7-year fixed interest rate swap for the full amount of the facility. The fixed rate in the swap is 1.975%.

The bank loan is secured by the first mortgage over RG Casey's interest in the property at Brisbane Avenue, a letter of support from the Trustee of the MTAA Superannuation Fund and a first registered company charge from RG Casey over all its assets and undertakings held as Trustee of the MTAA Superannuation Fund (RG Case) Property Trust. The SPE did not breach any of its covenants during the year.

- MTAA Superannuation Fund (40 Market Street) Property Pty Ltd

MTAA Superannuation Fund (40 Market Street) Property Pty Ltd ("40 Market Street"), acts as trustee for the MTAA Superannuation Fund Property (40 Market Street) Property Trust. 40 Market Street holds the Fund's 100% interest in the 40 Market Street building in Melbourne, Victoria.

The SPE entered into a 7-year interest only loan of \$58,000,000 as on 6 May 2015. The facility includes a line fee payable at 1.45% of the loan limit. The average variable rate on the loan for the period ending 30 June 2021 was 0.09% (2020: 0.93%). The SPE also entered into a 7 year fixed interest rate swap for the full amount of the loan as of 6 May 2015 to 6 May 2022. The fixed rate in the swap is 3.03%.

The bank loan is secured by the first mortgage over 40 Market Street's interest in the property in Melbourne, a letter of support from the Trustee of the MTAA Superannuation Fund and a first registered company charge from 40 Market Street over all its assets and undertakings held as trustee of the MTAA Superannuation Fund (40 Market Street) Property Trust. The company did not breach any of its covenants during the year.

MTAA Superannuation Fund
Notes to the Financial Statements
For the year ended 30 June 2021

17. Related parties (continued)

(d) Controlled entities (continued)

- MTAA Superannuation Fund (Ferntree Business Park) Property Pty Ltd

MTAA Superannuation Fund (Ferntree Business Park) Property Pty Ltd ("FBP"), acts as trustee for the MTAA Superannuation Fund Property (Ferntree Business Park) Property Trust. The SPE holds the Fund's 100% interest in Ferntree Business Park, Notting Hill, Melbourne, Victoria.

The SPE entered into a 7-year interest only loan of \$87,750,000 as on 8 August 2017. The facility includes a line fee payable at 1.70% of the loan limit. The average variable rate on the loan for the period ending 30 June 2021 was 0.10% (2020: 0.93%).

The SPE also entered into a 7-year fixed interest rate swap for the full amount of the loan as of 8 August 2017 to 7 August 2024. The fixed rate in the swap is 2.6275%.

The bank loan is secured by the first mortgage over FBP's interest in the property in Melbourne, a letter of support from the Trustee of the MTAA Superannuation Fund and a first registered company charge from FBP over all its assets and undertakings held as trustee of 'the MTAA Superannuation Fund (Ferntree Business Park) Property Trust. The Company did not breach any of its covenants during the year.

- MTAA Superannuation Fund (100 Broadway) Property Pty Ltd

MTAA Superannuation Fund (100 Broadway) Property Pty Ltd ("100 Broadway") acts as trustee for the MTAA Superannuation Fund (100 Broadway) Property Trust. The SPE holds the Funds 100% interest in 100 Broadway, Chippendale, NSW.

The SPE entered into a 7-year interest-only loan of \$38,570,000 as of 26 November 2018. The facility includes a line fee payable of 1.55% of the loan limit. The average variable rate on the loan for the period ending 30 June 2021 was 0.10% (2020: 0.91%).

The SPE also entered into a 7-year fixed interest rate swap for the full amount of the loan as of 4 December 2018 to 4 December 2025. The fixed rate in the swap is 2.6275%.

The bank loan is secured by the first mortgage over 100 Broadway's interest in the property, a letter of support from the Trustee of the MTAA Superannuation Fund and a first registered company charge from 100 Broadway over all its assets and undertakings held as trustee of the MTAA Superannuation Fund (100 Broadway) Property Trust. The Company did not breach any of its covenants during the year.

Other related parties

L. Turner is a director of all of the above SPE's (except MTAA Superannuation Fund (Flagstone Creek and Spring Mountain Park) Property Pty Ltd). There was no remuneration paid for these directorships.

G. Kocheil, the Fund's Property Manager was a director of MTAA Superannuation Fund (Flagstone Creek and Spring Mountain Park) Property Pty Ltd until 2 July 2021 and R. Barry was appointed on 2 July 2021 as his replacement. No director fee is paid for the directorship.

ANU MTAA Super Venture Capital Partnership L.P., is a venture capital limited partnership (VCLP), between the Fund and the Australian National University (ANU), established for the purposes of investing in the commercialisation of research and in early stage venture capital projects.

Shaun O'Malley is a director of ANU MTAA Super Venture Capital Pty Ltd (the 'General Partner' of the VCLP) and ANU Connect Ventures Pty Ltd (the "Investment Manager" for the VCLP). No director's fees are paid for the directorships.

There are no directors' fees paid or payable to Directors for these positions.

18. Auditors' remuneration

	2021	2020
	\$'000	\$'000
Amount paid to PricewaterhouseCoopers		
Audit Services provided by Fund auditor		
Audit of financial statements and regulatory requirements of various entities within the Fund	436	285
Other services provided by the Fund auditor		
Investment due diligence	208	99
Other consulting services	26	21
Taxation services	173	311
US taxation services	18	16
Valuation services	87	-
	948	732

SPIRIT SUPER
Trustee Declaration
For the year ended 30 June 2021

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

- (a) the accompanying financial statements and notes set out on pages 1 to 33 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 2021 and of its performance for the financial year ended on that date,
- (b) the Fund's financial statements have been prepared 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 2021, 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 Motor Trades Association of Australia Superannuation Fund Pty Limited (ABN 14 008 650 628) as Trustee for Spirit Super.



Director: _____



Director: _____

24 September 2021



Independent Auditor's report on financial statements

Independent Auditor's report approved form for a Registrable Superannuation Entity (RSE) that is a reporting entity

*Report by the RSE Auditor to the trustee and members of Spirit Super
(ABN: 74 559 365 913)*

Opinion

I have audited the financial statements of Spirit Super for the year ended 30 June 2021 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity/Reserves, Statement of Cash Flows, summary of significant 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 Spirit Super as at 30 June 2021 and the results of its operations, cash flows, changes in equity/reserves and changes in member benefits for the year ended 30 June 2021.

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 (including Independence Standards)* (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.

Materiality

For the purpose of our audit, I used approximately 1% of Spirit Super's net assets available for member benefits to set our overall materiality.

I applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

I chose net assets available for member benefits because, in my view, it is the metric against which the performance of Spirit Super is most commonly measured and is a generally accepted benchmark in the Superannuation industry.

I utilised 1% as the threshold based on my professional judgement, noting it is within the range of commonly acceptable thresholds.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001
T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

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Audit Scope

My audit of the financial statements focused on where Spirit Super made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

My audit approach reflects the nature of Spirit Super's investment operations and administration of member balances, with consideration to the work undertaken by Spirit Super's third-party service organisations, external investment managers and external valuation experts.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Valuation of level 3 assets <i>Refer to Note 4 - Fair value measurement</i></p> <p>At 30 June 2021, Spirit Super's level 3 assets included investments in Australian and international infrastructure and property and private equity investment funds, amongst others.</p> <p>Note 4 of the financial statements describes the valuation methodology used by Spirit Super to measure the fair value of the assets under Australian Accounting Standards. Spirit Super's level 3 assets are valued using the valuation provided by the relevant independent external valuation experts or external investment manager responsible for each investment fund, in most cases.</p> <p>I considered this a key audit matter because of the:</p> <ul style="list-style-type: none">• financial significance of the level 3 asset balance;• the level of judgement involved in the underlying assumptions used in the valuation models; and• the sensitivity of fair value to changes in key data and assumptions used in the models.	<p>I assessed the design and tested the operating effectiveness of certain controls supporting Spirit Super's level 3 asset valuation process, including controls relating to the review and approval of valuations adopted.</p> <p>I performed risk assessment procedures over the portfolio of level 3 assets, taking into consideration the asset classes, geographies and characteristics of individual directly held assets.</p> <p>Based on the risk assessment procedures performed, for a sample of external valuations, I assessed the objectivity, competency and capability of the external valuers and evaluated whether the valuations were performed in accordance with Spirit Super's valuation standard.</p> <p>For certain material property assets, I performed the following procedures, amongst others:</p> <ul style="list-style-type: none">• together with assistance from PwC real estate valuation experts, assessed the appropriateness of the valuation method and appropriateness of key assumptions used in the valuations by reference to market evidence, where relevant;• on a sample basis, compared the key data (eg. rent, lease terms and property information) provided to the external valuer to the underlying leases; and• compared the fair value reported by the external valuer to Spirit Super's accounting records. <p>For certain material infrastructure and private equity assets, I performed the following procedures, amongst others:</p> <ul style="list-style-type: none">• together with assistance from PwC valuation experts, assessed the appropriateness of the valuation method and appropriateness of key assumptions and data used in the valuations by reference to market evidence,



where relevant; and

- compared the fair value reported by the external valuer/investment manager to Spirit Super's accounting records

I assessed the reasonableness of Spirit Super's disclosures in the financial statements in light of the requirements of Australian Accounting Standards. In particular, I considered the adequacy of the disclosures made in note 3 to the financial statements, which explains that overall uncertainty and volatility remains, and the need for consideration of COVID-19 economic implications in Spirit Super's evaluation of level 3 asset valuations remains.

Valuation of level 1 and 2 financial assets and liabilities

Refer to Note 4 - Fair value measurement

At 30 June 2021, Spirit Super's level 1 and 2 financial assets and liabilities includes Australian and international shares, fixed interest and derivative assets and liabilities, amongst others.

Note 4 of the financial statements describes the valuation methodology used by Spirit Super to measure the fair value of the level 1 and 2 financial assets and liabilities under Australian Accounting Standards.

Valuation of level 1 and 2 financial assets and liabilities was a key audit matter because of the financial significance of the balances in Spirit Super's statement of financial position. A discrepancy in the valuation of level 1 and 2 financial assets and liabilities could cause the net assets available for members' benefits to be materially misstated.

I assessed the design and operating effectiveness of relevant controls operated by the third-party service organisations of custody services. I performed the following procedures, amongst others:

- inspected the most recent reports provided to Spirit Super by the service providers setting out the controls in place at that service provider, and that included an independent audit opinion over the design and operating effectiveness of those controls.
- developed an understanding of the control objectives and associated control activities and evaluated the results of the tests undertaken and the conclusions formed by the auditor on the design and operating effectiveness of controls, to the extent relevant to our audit of the valuation of Spirit Super's level 1 and 2 financial assets and liabilities.

I obtained and assessed the reliability of an independent audit report from the third-party service organisation's auditors on the valuation of Spirit Super's level 1 and 2 financial assets and liabilities as at balance sheet date. I compared the number and value of the financial assets and liabilities as at 30 June 2021 as recorded in Spirit Super's financial report and underlying accounting records to this report.

For level 2 derivative assets and liabilities and certain fixed income securities which are not included in the scope of the independent audit report obtained, I obtained and assessed position statements provided by external third party holders.

For selected level 2 Australian and international shares and property which are not included in the scope of the independent audit report obtained, I obtained a confirmation from the external investment manager and compared the confirmed balance to Spirit Super's accounting records. I obtained and assessed valuation statements provided by external investment managers of the investment funds and compared the valuation quoted by the external investment manager to Spirit Super's accounting records.



Responsibilities of the trustee for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal controls 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's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

From the matters communicated with the trustee, I determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I described these matters in my report unless law or regulation precluded public disclosure about the matter or when, in extremely rare circumstances, I determined that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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A handwritten signature in black ink, appearing to read 'Nicole Osborne', written in a cursive style.

Nicole Osborne
Partner

Melbourne
24 September 2021