

NATIONAL MUTUAL RETIREMENT FUND

ABN 76 746 741 299

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NATIONAL MUTUAL RETIREMENT FUND
CONTENTS

	Page(s)
Statement of Financial Position	1
Income Statement	2
Statement of Changes in Member Benefits	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 23
Trustee's Declaration to the Members	24
Auditor's Report to the Trustee	25

NATIONAL MUTUAL RETIREMENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
Assets			
Receivables			
Other receivables		15,891	17,368
Total receivables		15,891	17,368
Investments			
Life policies	14	6,043,833	6,029,667
Total investments		6,043,833	6,029,667
Total assets		6,059,724	6,047,035
Liabilities			
Benefits payable		21,571	21,950
Current tax liabilities	9	173	2,420
Total liabilities (excluding member benefits)		21,744	24,370
Net assets available for member benefits		6,037,980	6,022,665
Member benefits			
Defined contribution member liabilities	6 (b)	6,037,980	6,022,665
Total member liabilities		6,037,980	6,022,665
Total net assets		-	-
Total equity		-	-

The Statement of Financial Position is to be read in conjunction with the accompanying Notes to the Financial Statements.

NATIONAL MUTUAL RETIREMENT FUND
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
Superannuation Activities			
Revenue			
Changes in fair value of investments	5	577,456	57,449
Other income		847	1,023
Total revenue		578,303	58,472
Expenses			
General administration and operating expenses	4	(3,334)	(3,862)
Total expenses		(3,334)	(3,862)
Operating results before income tax expense		574,969	54,610
Income tax expense	8(a)	-	-
Operating results after income tax expense		574,969	54,610
Net benefits allocated to defined contribution member accounts		(574,969)	(54,610)
Operating result		-	-

The Income Statement is to be read in conjunction with the accompanying Notes to the Financial Statements.

NATIONAL MUTUAL RETIREMENT FUND
STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
Opening balance of Member Benefits as at 1 July		6,022,665	6,462,686
Contributions:			
- Employer contributions		109,238	98,810
- Member contributions		88,278	92,592
- Government contributions		1,522	1,368
Transfers from other superannuation entities		64,190	107,742
Income tax benefit/(expense)	8(b)	1,401	(8,581)
Net after tax contributions		264,629	291,931
Benefits to members		(338,909)	(232,357)
Transfers to other superannuation entities		(438,832)	(489,788)
Insurance proceeds received from insurer		68,410	42,652
Insurance premiums charged to members' accounts		(114,952)	(107,069)
Net benefits allocated, comprising:			
Total revenue		578,303	58,472
Operating expenses	4	(3,334)	(3,862)
Closing balance of Members Benefits as at 30 June		6,037,980	6,022,665

The Statement of Changes in Member Benefits is to be read in conjunction with the accompanying Notes to the Financial Statements.

NATIONAL MUTUAL RETIREMENT FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Total equity
	\$'000
	<hr/>
Opening balance as at 30 June 2022	-
Operating result for the year after income tax	-
	<hr/>
Closing balance as at 30 June 2023	-
	<hr/>
Opening balance as at 30 June 2021	-
Operating result for the year after income tax	-
	<hr/>
Closing balance as at 30 June 2022	-
	<hr/>

The Statement of Changes in Equity is to be read in conjunction with the accompanying Notes to the Financial Statements.

NATIONAL MUTUAL RETIREMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Other income received		847	1,023
Operating expenses paid		(3,334)	(3,862)
Insurance proceeds received		69,887	36,463
Insurance premiums paid		(114,952)	(107,069)
Net cash outflows from operating activities	10	(47,552)	(73,445)
Cash flows from investing activities			
Life policy contributions		(219,010)	(230,929)
Life policy redemptions		782,300	728,561
Net cash inflows from investing activities		563,290	497,632
Cash flows from financing activities			
Employer contributions		109,238	98,810
Member contributions		88,278	92,592
Government contributions		1,522	1,368
Benefits paid to members		(339,288)	(226,228)
Transfers in from other funds		64,190	107,742
Transfers out to other funds		(438,832)	(489,788)
Income tax paid on contributions		(846)	(8,683)
Net cash outflows from financing activities		(515,738)	(424,187)
Net increase/(decrease) in cash held		-	-
Cash at the beginning of the financial year		-	-
Cash at the end of the financial year		-	-

The above Statement of cash flows should be read in conjunction with the accompanying Notes to the Financial Statements.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1. GENERAL INFORMATION

The National Mutual Retirement Fund (the "Fund") is a defined contribution fund domiciled in Australia and operates primarily for the purpose of providing for members (and their dependents or beneficiaries) benefits upon retirement, termination of service, death or disablement. The Fund was established by a Trust Deed dated 28 December 1973 and last updated on 26 June 2020.

In accordance with amendments to the *Superannuation Industry (Supervision) Act 1993 ("SIS Act")* the Fund is registered with the Australian Prudential Regulation Authority as a Registrable Superannuation Entity ("RSE") in June 2006 (registration no R1056310).

The Trustee of the Fund during the reporting period is Equity Trustees Superannuation Limited (the "Trustee") (ABN 50 055 641 757, AFSL 229757, RSE L0001458), domiciled in Australia and registered with APRA. The Fund is domiciled in Australia and the address of the Fund's registered office is Level 1, 575 Bourke Street, Melbourne, Victoria 3000.

The Administrator of the Fund is Resolution Life Australasia Limited (ABN 84 079 300 379) ("RLAL"). The registered office of the Administrator is L20, 400 George Street, Sydney, NSW 2000.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Financial Statements are a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards, Interpretations, the *Superannuation Industry (Supervision) Act 1993* and provisions of the Trust Deed.

The Financial Statements were authorised and issued by the board and directors of the Trustee on 28 September 2023. For the purposes of preparing the financial statements, the Fund is a for-profit entity.

(b) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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

Judgments made by management in the application of Accounting Standards that may have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

2. BASIS OF PREPARATION (CONTINUED)

(c) New Standards and Interpretations adopted during the period

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(d) Accounting Standards and Interpretations issued, but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

New or revised requirement	Title	Effective Date (annual periods beginning on or after)	30 June 2023 year end applicability
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	1 July 2023	Optional
AASB 2020-6	Amendments to Australian Accounting Standards – Classification Liabilities as Current or Non-Current - Deferral of Effective Date	1 July 2023	Optional

Changes to financial reporting requirements

The Fund is a registrable superannuation entity that is subject to amendments made to the *Corporations Act 2001* by the *Treasury Laws Amendment (2002 Measures No.4) Act 2022*. These amendments are effective for financial years beginning on or after 1 July 2023 and bring registrable superannuation entities such as the Fund into the financial reporting provisions of the *Corporations Act 2001*.

Accordingly, for the Fund's income year ending 30 June 2024, the Fund will be required to prepare an annual report, consisting of a financial report (including financial statements, notes and a directors' declaration), a directors' report (including a remuneration report) and an attached auditor's report and auditor's independence declaration. There will be no impacts to the recognition and measurement requirements utilised in the preparation of the financial report of the Fund as a result of these changes.

These reports must also be lodged with ASIC, who now take on an increased regulatory oversight role following the introduction of these amendments.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2023 and the comparative information presented in these financial statements for the year ended 30 June 2022.

(a) Financial Instruments

(i) Classification

The fund invests in life policies issued by the Administrator in accordance with its governing rules and investment strategy.

Investments in life policies are designated at fair value through profit or loss upon initial recognition.

(ii) Recognition/derecognition

Financial assets and financial liabilities are recognised on the date the Fund becomes a party to the contract relating to the asset. Financial assets are recognised initially at consideration paid / payable excluding any transaction costs that are directly attributable to the acquisition or issue. From this date, any gains and losses arising from changes in fair value are recorded.

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

(iii) Measurement

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

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

For further details on how the fair values of financial instruments are determined refer to note 14.

(b) Benefits Payable

Benefits payable are valued at the amounts due to members at reporting date. The Fund recognises a benefit to be payable to a member where a valid withdrawal notice is received and is in accordance with the Fund's Trust Deed.

(c) Member Liabilities

Refer to note 6 Member Liabilities for the recognition and measurement of member liabilities.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent in which it is probable that economic benefits will flow to the Fund and the amount of revenue can be reliably measured.

The following recognition criteria relates to the different items of revenue the Fund receives:

(i) Movement in fair value of investments

Changes in the fair value of investments are recognised as income/(losses) and are determined as the difference between the fair value at period end or consideration received (if sold during the period) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

(ii) Other Income

Other income including administration fee rebates and member compensations are recognised on an accrual basis at year end.

(e) Contributions and Transfers from Other Funds

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

(f) Income Tax

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income, unless it is on pension income which is taxed at 0%.

Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in members' funds, in which case it is recognised directly in the Statement of Changes in Member Benefits.

Current tax

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

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC), except

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of expense;
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(h) Receivables

Receivables are recorded at nominal values which approximate fair value. Receivables other than insurance claims receivable are generally received within 30 days of being recorded as receivables.

(i) Functional and Presentation Currency

The financial statements are presented in Australian dollars which is the functional currency of the Fund and have been rounded to the nearest thousand unless otherwise stated.

All foreign currency transactions during the period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in the Income Statement in the year in which they arise.

4. GENERAL ADMINISTRATION AND OPERATING EXPENSES

	2023	2022
	\$'000	\$'000
Administration fees	3,334	3,862
Total general administration expenses	3,334	3,862

For a breakdown of expenses incurred by and reimbursed to the Trustee, refer to note 12(e).

5. CHANGES IN FAIR VALUE OF INVESTMENTS

	2023	2022
	\$'000	\$'000
Net change in fair value of Life policies	577,456	57,449
Total changes in fair value of investments	577,456	57,449

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

6. MEMBER LIABILITIES AND FUNDING ARRANGEMENTS

(a) Recognition and Measurement of Member Liabilities

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

(b) Defined Contribution Member Liabilities

Defined contribution member account balances are valued using unit prices and/or crediting rates based on the underlying investment options selected by members and based on actuarial measures for non-investment linked products.

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

Defined contribution members bear the investment risk relating to the underlying assets of the Fund subject to a minimum value for guaranteed products. Unit prices are updated on a daily basis for movements in investment markets.

The Fund's management of the investment market risks is as disclosed within note 13.

(c) Funding Arrangements

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.

7. GUARANTEED BENEFITS

The Fund's assets are wholly invested in investment linked and capital guaranteed policies issued by RLAL.

Where investments have been made into a guaranteed policy, the insurer guarantees the account balance of this policy. In other cases, no guarantees have been made in respect of any other part of the liability for accrued benefits.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

8. INCOME TAX EXPENSE

(a) Recognised in the Income Statement:

	2023	2022
	\$'000	\$'000
Operating result before income tax expense	574,969	54,610
Tax at the complying superannuation fund tax rate of 15% (2022: 15%)	86,245	8,192
<i>Increase/(decrease) in income tax expense due to:</i>		
Non-deductible expenses	500	579
Non-assessable investment gains	(86,618)	(8,618)
Non-assessable other income	(127)	(153)
Income tax expense	-	-

(b) Recognised in the Statement of Changes in Member Benefits:

	2023	2022
	\$'000	\$'000
Contributions and transfers in recognised in the Statement of Changes in Member Benefits	263,228	300,512
Tax at the complying superannuation fund rate of 15% (2022: 15%)	39,484	45,077
Member contributions	(14,028)	(4,269)
Transfer from other superannuation entities	(9,629)	(16,161)
No-TFN contribution tax expense/(refund)	15	(6)
Deductible expenses	(17,243)	(16,060)
Income tax (benefit)/expense	(1,401)	8,581

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

9. TAX LIABILITIES

Current tax liabilities

The current tax liabilities for the Fund of \$173,000 (2022: \$2,420,000) represents the amount of income taxes payable in respect of current financial period.

10. CASH FLOWS RECONCILIATION

Reconciliation of cash flows from operating activities

	2023	2022
	\$'000	\$'000
Profit after income tax	-	-
Adjustments for:		
Increase in assets measured at fair value	(577,456)	(57,449)
Allocation to members' accounts	574,969	54,610
Insurance proceeds received	69,887	36,463
Insurance premium paid	(114,952)	(107,069)
Net cash outflows from operating activities	(47,552)	(73,445)

RLAL processes all cash flows on behalf of the Fund. The Fund does not have its own bank account.

RLAL also collects contributions tax from members and settles liabilities on behalf of the Fund.

The Statement of Cash Flows in the Financial Statements has been presented to illustrate the cash flows of the Fund's transactions through the life policies held with RLAL.

11. COMMITMENTS AND CONTINGENT LIABILITIES

During the financial year, there were no commitments and contingent liabilities (2022: nil) for the Fund.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

12. RELATED PARTY DISCLOSURES

(a) Trustee

The Trustee of the Fund is Equity Trustees Superannuation Limited (ABN 50 055 641 757, RSE Licensee L0001458).

(b) Directors

Key management personnel include persons who were directors of Equity Trustees Superannuation Limited at any time during the reporting period, or since the end of the reporting period, as follows:

Name	Title	Appointed/Resigned
Mr Michael O'Brien	Managing Director and Executive Director	
Ms Susan Granville Everingham	Non-Executive Director	
Mr Paul Douglas Rogan	Non-Executive Director	
Ms Catherine Anne Robson	Non-Executive Director	Appointed on 16/08/2022
	Interim Chair	Appointed on 01/09/2022
Mr Steven Thomas Carew	Non-Executive Director	Appointed on 01/03/2023
Mr David Nicholas Coogan	Non-Executive Director	Appointed on 15/06/2023
Mr Jezy (George) Zielinski	Non-Executive Director	Resigned on 20/07/2022
Mr Anthony Jude Lally	Non-Executive Director and Chairman	Resigned on 31/08/2022
Mr Mark Blair	Executive Director	Resigned on 10/02/2023
Mr Ellis Varejes	Non-Executive Director	Resigned on 30/06/2023

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

(c) Other key management personnel

Philip Gentry, Chief Financial Officer of Equity Trustees Limited and Andrew Godfrey, Executive General Manager of Equity Trustees Superannuation Limited are also key management personnel with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the reporting period.

(d) Remuneration of directors of the Trustee

The directors of the Trustee, and other key management personnel do not receive remuneration directly from the Fund.

The Administrator pays an aggregate fee to the Trustee with respect to the Fund. There have been no transactions between the Trustee and the Fund.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

12. RELATED PARTY DISCLOSURES (CONTINUED)

(e) Expenses paid by and reimbursed to the Trustee

For the reporting period, the following expenses (excluding GST) were paid by and to be reimbursed to the Trustee by the Administrator (RLAL).

	2023	2022
	\$	\$
External audit fees – Financial Statements & Compliance	92,814	87,560
External audit fees – RMF	32,732	19,086
Internal audit fees	38,708	32,488
Regulatory fees – ASIC	89,416	87,666
Regulatory fees – AFCA	147,729	70,379
	401,399	297,179

(f) Operational Risk Financial Requirement

In response to Prudential Standards SPS 114 Operational Risk Financial Requirement ("SPS 114"), the Trustee has approved an Operational Risk Financial Requirement ("ORFR") target to be held at the Trustee level. SPS 114 establishes a requirement for a Trustee to maintain adequate financial resources to address losses arising from operation risk events that may affect the registrable superannuation entities within its business operations.

As at 30 June 2023, the ORFR of \$5,400,000 (30 June 2022: \$6,600,000) was held as operational risk trustee capital in respect of the Fund, which was within the lower tolerance limit of the Trustee's ORFR target.

13. FINANCIAL RISK MANAGEMENT

(a) Financial Instruments Management

The investments of the Fund (other than cash held for meeting daily administrative and benefit expenses), are managed on behalf of the Trustee by the Administrator who in turn engage investment managers in accordance with the investment strategy to achieve the Fund's investment objectives.

The custodian BNP Paribas Fund Services Australasia Pty Limited (ABN 71 002 655 674) holds all of the underlying investments of the life policies held by the fund and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

The Fund's financial assets and liabilities adopted in the Statement of Financial Position are carried at their fair value.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to the Financial Statements.

(c) Capital Risk Management

The Trustee has put in place operational risk trustee capital to provide funding for incidents where material losses may arise from an operational risk event (as opposed to investment risk) relating to the Fund. The level of reserve is determined by the Trustee based on an assessment of the risks faced by the Fund. The Trustee has an operational risk financial requirement (ORFR) strategy that sets out the Trustee's approach to determining, implementing, managing and maintaining the ORFR target amount. According to Superannuation Prudential Standard 114: Operational Risk Financial Requirement, (SPS 114) which became effective 1 July 2013, the financial resources held to meet the ORFR must be held either as:

- An operational risk reserve held within an RSE;
- Operational risk trustee capital held by the RSE licensee; or
- A combination of both an operational risk reserve held within an RSE and operational risk trustee capital held by the RSE Licensee.

As at 30 June 2023, the ORFR of \$5,400,000 (30 June 2022: \$6,600,000) was held as operational risk trustee capital in respect of the Fund, which was within the lower tolerance limit of the Trustee's ORFR target.

(d) Financial Risk Management Objectives

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

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

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

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Investment Risk

The Fund's investments principally consist of unit and non-unit linked life policies. The Trustee has determined that this type of investment is appropriate for the Fund and is in accordance with the Fund's investment strategy.

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

- Market risk
- Credit risk
- Liquidity risk

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk arises on financial instruments that are denominated in a foreign currency that is in a currency other than that in which they are measured. The Fund holds investments entirely denominated in Australian dollars, therefore has no direct exposure to currency fluctuations, though it does have currency exposure through Australian investments with significant overseas operations and the underlying international investments of life policies. Foreign exchange contracts are used by the investment manager to reduce exposure to adverse foreign currency movements in the value of underlying international listed equities.

Foreign currency risk is managed by ensuring all investment activities are undertaken in accordance with established mandate limits and investment strategies.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund does not have any direct holdings in interest bearing assets, therefore no sensitivity analysis to a reasonably possible change in interest rates has been provided. The Fund's exposure to market risk for changes in interest rates relate primarily to the underlying investments of the life policies held in interest bearing securities held for trading.

Interest rate risk is managed by ensuring all investment activities are undertaken in accordance with established mandate limits and investment strategies.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Investment Risk (continued)

Market Risk (continued)

(iii) Other market price risk

Other market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The fair value of these policies is determined by the market value of the underlying assets backing them, which are exposed to fluctuations in investment markets.

Investments in the Fund that are exposed to other price risk are investment linked policies.

Price risk is managed by ensuring all investment activities are undertaken in accordance with established mandate limits and investment strategies.

The Trustee has determined that these investments are appropriate for the Fund and are in accordance with the Fund's investment strategy.

The table below illustrates the impact of other market price risk to the Fund's investments should it fluctuate by 10%. This analysis assumes that all other variables remain constant.

	Carrying amount \$'000	Change in fair value of assets \$'000		Effect on net assets available to pay benefits \$'000	
		10% Decrease	10% Increase	10% Decrease	10% Increase
2023					
Life policies	6,043,833	(604,383)	604,383	(604,383)	604,383
	6,043,833	(604,383)	604,383	(604,383)	604,383
2022					
Life policies	6,029,667	(602,967)	602,967	(602,967)	602,967
	6,029,667	(602,967)	602,967	(602,967)	602,967

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Investment Risk (continued)

Credit Risk

Credit risk refers to the risk that the counterparty to the financial instrument will default on its contractual obligations resulting in a financial loss to the Fund.

Credit risk primarily arises from the Fund's investment in life policies issued by the Administrator, with the maximum exposure equal to the carrying amount of these assets.

Credit risk is not considered to be significant to the Fund as the underlying investments of the life policies are diversified, and the Administrator continues to meet its capital and solvency requirements under the *Life Insurance Act 1995*.

The Administrator of the Fund, Resolution Life Australasia Limited ("RLAL") held a Fitch's credit rating of A (2022: Standard & Poor's credit rating of A-).

No assets are impaired or past due as at 30 June 2023 (30 June 2022: nil).

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its obligations when they fall due. The risk is controlled through the Fund's investment in life policies which under normal market conditions are readily convertible to cash. The Fund's exposure to liquidity risk relating to its investment in life policies will relate to the underlying financial instrument investments of the life policies held at fair value through profit and loss.

The Fund's overall liquidity risks are monitored by the Trustee at least annually and in accordance with policies and procedures in place.

The following table summarises the maturity profile of the Fund's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Investment Risk (continued)

Liquidity Risk (continued)

Maturities of financial liabilities

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

	Carrying amount \$'000	Less than 1 month \$'000	1-3 Months \$'000	Over 3 Months \$'000
30 June 2023				
Benefits payable	21,571	-	-	21,571
Current tax liabilities	173	-	173	-
Member liabilities	6,037,980	6,037,980	-	-
	6,059,724	6,037,980	173	21,571
30 June 2022				
Benefits payable	21,950	-	-	21,950
Current tax liabilities	2,420	-	2,420	-
Member liabilities	6,022,665	6,022,665	-	-
	6,047,035	6,022,665	2,420	21,950

Member liabilities have been included, if applicable, in the less than 1 month column, as this is the amount that members could call upon at period-end. This is the earliest date on which the Fund can be required to pay members' benefits however, the Trustee does not anticipate that members will call upon amounts accrued to them during this time.

14. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices). The Fund values fixed interest securities held by the Fund using broker quotes and units in unit trusts using the redemption price at reporting date as advised by the investment managers.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

14. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (continued)

- Level 3 fair value measurements are those instruments valued based on inputs where one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values investment in life policies as level 3 using the valuation process defined in RLAL asset valuation policy.

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

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2023				
Life policies	-	-	6,043,833	6,043,833
Total	-	-	6,043,833	6,043,833
30 June 2022				
Life policies	-	-	6,029,667	6,029,667
Total	-	-	6,029,667	6,029,667

Level 3 financial instruments transactions

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	2023	2022
	\$'000	\$'000
RLAL Life policies:		
Opening balance	6,029,667	6,469,850
Total realised / unrealised gains and losses	577,456	57,449
Purchases / applications	219,010	230,929
Sales / redemptions	(782,300)	(728,561)
Closing balance	6,043,833	6,029,667

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

14. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (continued)

Level 3 financial instruments transactions (continued)

Quantitative information of significant unobservable inputs – Level 3:

Investment in life policies

Description	\$000	Valuation technique	Significant unobservable inputs
- unit-linked	2023: 2,519,863 2022: 2,590,439	Unit prices and the fair value of backing assets	Fair value of financial instruments
- non-unit-linked	2023: 3,523,970 2022: 3,439,228	Actuarial valuation models	Risk-free discount rates Inflation and indexation Discontinuance rates Mortality and morbidity

Financial asset valuation process:

For financial assets categorised within level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets is governed by the RLAL asset valuation policy. The RLAL asset valuation policy was last updated in February 2023. This policy outlines the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets, and illiquid debt securities. All significant level 3 assets are referred to the appropriate valuation committee who meet at least every six months, or more frequently if required.

15. EXTERNAL AUDITOR'S REMUNERATION

	2023	2022
	\$	\$
Deloitte – Financial Statements & Compliance	92,814	87,560
Deloitte – RMF	32,732	19,086
Total Auditor's Remuneration	125,546	106,646

The auditors' remuneration above \$125,546 (2022: \$106,646) as disclosed in the Related Party Note 12(e) was paid and will be reimbursed to the Trustee by RLAL.

16. INSURANCE ARRANGEMENTS

The Fund provides death and disability benefits to its members. These benefits are greater than the members' vested benefits. The Trustee has taken out insurance with RLAL to cover these parts of the benefits.

NATIONAL MUTUAL RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

17. FUND'S RESPONSE TO MACRO-ECONOMIC EVENTS

In preparing these financial statements the Trustee considers the impact that macro-economic events can have on the Fund's performance. The Trustee's risk management framework is applied across the Fund's operations and the Trustee continues to monitor the impact of events on the Fund's risk profile.

18. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this financial report any item, transaction or event of an unusual nature likely to affect significantly the operations of the Fund, the result of the operations, or the state of affairs of the Fund.

NATIONAL MUTUAL RETIREMENT FUND
TRUSTEE'S DECLARATION TO THE MEMBERS

In the opinion of the directors of the Trustee of National Mutual Retirement Fund:

1. The accompanying Financial Statements and notes set out on pages 1 to 23 are in accordance with:
 - Australian Accounting Standards and other mandatory professional reporting requirements, and;
 - present fairly the Fund's financial position as at 30 June 2023 and of its performance for the financial period ended on that date;
2. The Fund has been conducted in accordance with its constituent Trustee Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993* and its accompanying Regulations; the relevant requirements of the *Corporations Act 2001 and Regulations*; the requirements under section 13 of the *Financial Sector (Collection of Data) Act 2001*, during the year ended 30 June 2023; and
3. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of Equity Trustees Superannuation Limited as Trustee for National Mutual Retirement Fund.



.....
Director

Melbourne
28 September 2023

National Mutual Retirement Fund (ABN 76 746 741 299) Report by the RSE Auditor to the trustee and members

Opinion

We have audited the financial statements of National Mutual Retirement Fund (Registrable Superannuation Entity ("RSE")) for the year ended 30 June 2023 as set out on pages 1 to 23 attached.

In our opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of National Mutual Retirement Fund as at 30 June 2023 and the results of its operations, cash flows, changes in equity and changes in members' benefits for the year ended 30 June 2023.

Basis for Opinion

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

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

Responsibilities of the trustee for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

The logo for Deloitte Touche Tohmatsu, featuring the company name in a cursive script.

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'Adam Kuziow'.

Adam Kuziow
Partner
Chartered Accountants

Melbourne, 29 September 2023