

A WORD FROM THE CHAIRMAN

More than a year has passed since the beginning of the major disruption to the aviation industry caused by COVID-19 and this Annual Report shows a strong recovery, despite aviation still being impacted. In 2020 the MBF Board responded with a variety of highly successful COVID-19 Rules to assist members with the operational and financial effects of the pandemic.

Members who became unemployed as a result of the pandemic were provided with 2 months free membership, assisting 132 members in 2021. MBF also changed its systems and processes to facilitate monthly contribution payments and this was taken up by 72 members in 2020 and 367 members in 2021. Members were also offered a reduction in cover; to be reinstated at 1 May 2021; as a means to lower the cost of MBF cover for the 2020/21 year.

In addition to the assistance provided to MBF members, tenants of the investment property were offered rental relief up until March 2021. Of the 8 tenants, we were able to provide relief to 5 tenants.

MBF continued working closely with the Australian Federation of Air Pilots (AFAP) to safeguard arrangements with employers for loss of licence allowances, which greatly assist our members. As a result, the number of pilots still covered by MBF at 30 April 2021 (3426) has only dropped marginally from the 3,454 members covered in 2020.

Furthermore, I am extremely pleased to announce the appointment of Michelle Vong as General Manager of MBF. Michelle has worked with MBF since 2013,

commencing as Bookkeeper and being promoted to Accountant and then Finance Manager. She is a very competent and loyal member of the MBF Team and knows the operational and financial aspects intimately. Michelle holds a Bachelor of Business in Accounting, is also a CPA, and replaces Troy Browning who resigned in June.

MBF remains focussed on assisting with the financial security for members, whether they are flying or may have uncertainty over employment. A key aspect is for MBF to maintain a strong financial position to support members and to protect the underlying assets of the Fund, even if contributions, and investment earnings are challenged, whilst claims payments may increase.

The highlights of the 2020/21 financial year have included the following:

• The surplus of \$17.92m for 2021 is a very welcome turnaround from the loss of \$16.04m in 2020 and again is due to key financial adjustments noted below, details contained in the General Manager's report.

• A strong growth in equity markets with MBF's financial assets recovering from the lows of 2020. The MBF property investments were revalued to much higher market levels after being written down in 2020.

• A reversal of the 2020 increase in provisions for future claims and refunds of contributions (both of which are negative to the P&L), with decreases in those provisions for2021, thereby adding to the surplus.

• In 2021 MBF saw 35 members reach the end of their aviation careers and paid out \$1.747m in refunds of

contributions (ROC), compared to 32 members who received \$1.596m in 2020.

• \$2.436m was paid to 43 members on temporary benefits (\$1.696m to 39 members in 2020).

• 10 members unfortunately failed their Class 1 permanently in 2021 and MBF provided \$5.051m in capital payments (10 members for \$5.747m in 2020)

• 14 members who had previously notified MBF of the loss of their class 1 medical were able to regain the class 1 in 2020/21

• Sadly, two death benefits were paid in 2021, which was the same number of death benefits paid in 2020.

The workload for the MBF volunteer Directors has remained high during 2020/21 and the challenges of conducting remote meetings, with very limited visits to the MBF office has added to the demands. My sincere appreciation is expressed to all Directors and to the new Directors George Mackison and Matt O'Keeffe who have

Captain David Harget

Chairman

taken up their roles during these strange times.

I take this opportunity to thank the MBF Office Staff Team who were in lockdown for much of the period and remain so at the time of this report. I thank them, for their resilience and tenacity to manage all of the demands of the MBF operations and to continue to provide excellent service to members. Best wishes to Michelle Vong and the Team.

To all our members whether having been with MBF for many years, or the new members we have welcomed in 2020/21, you have the Board's assurance that we will continue to manage the Fund diligently and prudently and to protect the security of your cover.

THE GENERAL MANAGER'S REPORT

Eighteen months on from when Australia closed its borders to foreign travellers and states mandated lockdown and stay at home orders, the challenges of the pandemic continues to be the headline news throughout 2021.

I write as the newly appointed General Manager of the MBF after having had the pleasure of being with the MBF team for the last 8 years. I commenced as the Bookkeeper and then transitioned into the Senior Accountant role, as I completed my CPA studies. My sincere appreciation to the Directors for providing me with this opportunity and I look forward to using my skills and experience to lead MBF.

Thank you to Troy Browning who was the former General Manager joining the team in March 2020 at the commencement of COVID-19's hit on Australia. The timing of Troy's commencement coupled with the unknowns of the pandemic made this role even more challenging as Troy continued to learn the business operations simultaneously. Through the support of the experienced MBF Team, he was able to lead MBF to another successful year. Troy has resigned and the MBF Team wishes him well.

After reporting a loss of approximately \$16m in 2020, I am pleased to report a reversal for the 2021 year of a surplus of \$17.9m. When 2020/21 budgeting first commenced to include the potential impact of COVID-19, the membership number was expected to dramatically decrease with the expected stand downs and redundancy offers. Through MBF's continued response in allowing unemployed members to have a 2-month waiver period, members to reduce their cover and allow the members to pay the annual contribution on a monthly basis was reflected in the membership number decreasing only marginally by 0.81% (ending with 3,426 members in 2021 compared to 3,454 at the end of 2020), a very good result in the circumstances

The MBF Team continued to remain strong despite currently being in our sixth lockdown. The emphasis of mental health and wellbeing has been of the utmost importance. My appreciation extends to:

• The Membership Team; Pip Berquist, Karen Ellis and Kalindra Heyes. Their hard work, dedication to not just the members but to the Fund is a reflection of the MBF belief in the product and service we provide. I regret to advise that Karen and Kalindra have since resigned from the MBF to take up opportunities in new fields and we wish them both the best in the next chapter of their career.

• Christine Simpson MBF Claims Manager, it is a growing industry in which the MBF is in existence for, and Christine has continued to go above and beyond to support each member with their claim from the initial discussion through to coordinating reports for the Board's review and then to providing the member with the decision made by the Board that is best suited for their claim.

• Aaron Tams who is the IT and Security Manager. In a world where technology continues to advance, Aaron alongside Pip have been continuing to head the team to improve the membership system. Through the stay

at home order over the past 18 months Aaron had to guickly enact part of the Business Continuity Plan (BCP) to enable staff with the ability to work from home which had proved the BCP to be a success.

• Felecia Fernandes, the MBF's bookkeeper joined the MBF Team in April 2020. Like Troy Browning, Felecia joined the team where lockdowns were new and had the difficulty of completing most of the training online. Felecia's ability to guickly learn the role in a new business has been admirable and offered me great support as a Senior Accountant.

• We are actively engaged in the recruitment of a Senior Accountant plus Membership and Administration staff to return the MBF staff resources back to full strength.

The recovery from the uncertainty of COVID-19 at the end of 2020 is reflected in the reversal of performance in the 2020-21 financial statements. Non-cash adjustments included:

• The after-tax surplus of \$17.9m was a reverse of last year's loss of \$16.0m, due to significant improvements in asset values, compared to write-downs in 2020. Also decreases in provisions, have assisted the positive result compared to the large increases in 2020, as follows:

• A Change in Fair value of investments in equities, managed funds, fixed interest and other financial asset from \$27.47m in 2020 to \$41.87m at the end of 2021 indicated a strong return in the equities market.

• MBF engaged independent valuers to assess the

investment properties this year and the fair value was revalued from a total of \$20.4m in 2020 to \$27.2m (\$17.3m for South Melbourne and \$9.9m for Box Hill) in 2021.

• The annual actuarial review of ROC Liability resulted in a decrease of \$0.5m for 2021 after the increase of \$4.8m in 2020. The main factors contributing to the decrease in comparison to the previous review include an increase in the assumed discount rate and in the claims handling expense.

 The annual actuarial review of the Provision of Future Claims Expense also reversed the increase of \$5.5m in 2020 to a decrease of \$2.3m in 2021.

As we continue to go through the unknowns of this pandemic together, the MBF will remain committed to providing financial peace of mind to our members, in the event their Australian Class 1 Medical Certificate is suspended or cancelled. I look forward to working towards the new normal.





General Manager



Membership						
Financial Year Ending April 30	2021	2020	2019	2018		
Membership	3426	3454	3304	3159		
Average Age of Members	42	41	41	41		
Average Cover	\$674,505	\$683,021	\$680,058	\$672,295		
Payments Made to Members	2021	2020	2019	2018	-	
Temporary / Monthly Benefit	43 \$2,436,376	39 \$1,695,797	31 \$1,429,744	26 \$1,092,867		
Permanent / Capital Benefit	10 \$5,051,408	10 \$5,746,685	11 \$6,108,825	15 \$5,336,258		
Death Benefit / Capital Benefit ¹	2 \$1,266,250	2 \$1,392,640	0 0	2 \$1,194,000		
Total of Benefits Paid	\$8,754,033	\$8,835,122	\$7,538,569	\$7,623,125		
Refund of Contribution	35 \$1,746,656	32 \$1,596,461	27 \$1,036,245	19 \$825,831		

1. \$800,000 maximum loss of licence cover plus \$200,000 maximum death benefit after 10 years of membership



AUDIT & RISK COMMITTEE REPORT

As Chairman of the Audit and Risk Committee, I present • And most importantly identifying and managing the Annual Report for 2021.

The A&R Committee is a vitally integral component of the overall governance and Risk management framework of the MBF and exists to ensure your Fund is maintained at all times in a state that both complies with all of its legislative requirements and also remains free of adverse risk.

The Committee's performance, activities and functionality are regulated externally by Legislation and internally by Charters and Policies. The Committee is charged with the responsibility of overseeing all of the MBF's Audit processes plus identifying and managing any area of potential risk to the MBF's Operations or Assets. The committee comprises Myself (Chairman), Wal Gowans and Tim Glabbatz.

Annually the Committee instigates, manages and assesses the outcomes of the Statutory, AFSL and Internal Audits. These Audits are externally conducted and exist to monitor the governance, compliance and risk levels of the Fund.

During 2020/21 the Committee held regular meetings to discharge its responsibilities, including;

- Meeting with the Fund's various Auditors
- Reviewing internal policies and procedures

• Providing Audit Committee meeting minutes and reports to the Board

• Overseeing preparation of end of year final accounts

areas of potential risk.

Discharging these responsibilities is challenging and a special thank you goes to the MBF Financial staff and my fellow Committee Members for their considerable efforts over the past year.

The performance of the Audit and Risk Committee is reviewed by the Board throughout the year and has been found to be meeting its expectations and responsibilities as set out in the Audit Committee Charter.



Captain Simon Brownscombe Chairman of Audit & Risk Committee

INVESTMENT COMMITTEE REPORT

Your Investment Committee, consisting of Captains Kym Donaldson, Matt Nielsen, David Harget and myself met regularly, occasionally in person though mainly via teleconference, during the Fund Year with our external Investment Advisors, Leo Brady, Ben James, Amanda Fong and Dylan Verney from Escala Partners. Presentations on economic updates and economic outlook were often provided by Tracey McNaughton, Escala's Chief Investment Officer.

The MBF Financial Year saw the Investment Portfolio benefit from the recovery in International and Australian Equities. As stated in last year's Annual Report, the MBF Investment Portfolio was positioned to maximise benefits from share price growth during any recovery from the COVID induced downturn. MBF's main share portfolio and managed investments have seen strong growth and an external revaluation of the Fund's direct property portfolio has resulted in a significant increase in value. Consequently, at the close of the MBF year, the Fund recorded a substantial increase in net fair value of investments. The total value of MBF invested assets is now significantly greater than the pre COVID levels. However increased provisioning has led to a proportionately smaller increase in the MBE's net assets.

Investment income was adversely affected by a reduction in dividend income and by lower returns on term deposits as interest rates have remained low. Dividend income is expected to recover as evidenced this reporting season with many companies substantially increasing dividend payouts, particularly in resources, banks, healthcare and retail. As previously stated, income from the MBF Investment Portfolio is important as it covers the cost of administration expenses and refunds of contributions as well as covering any shortfall between yearly contributions and claims for each year.

At the time of writing, many market indices around the world remain at or near record levels. Our Investment Advisors believe that, following a strong US reporting season, liquidity fuelling merger and acquisitions activity and US job data exceeding expectations, markets are not overpriced. However, risks remain including further COVID outbreaks affecting the Australian economy or supply chain risks overseas. As such they have recommended reducing exposure to some International Equities in favour of alternative assets such as infrastructure and property. The MBF Investment Portfolio has returned around 5% for the first three months of the MBF financial year.

Finally, I would like to thank my fellow Investment Committee Members for their support and guidance during another challenging year for investment markets and for our industry.



Captain Steven Vidler Chairman of Investment Committee



FINANCIAL REPORT

Statement of financial performance (abbreviated) for the year ended 30 April 2021

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Revenue from ordinary activities	2021	2020	26000 .00.
Member contributions	\$8,749,555	\$8,745,053	
(Increase)/Decrease in Movement of Provision for Contribution Refunds	\$560,000	(\$4,777,000)	
Contribution refunds	(\$1,746,657)	(\$1,596,461)	
Sub-total	\$7,562,898	\$2,371,592	
Dividend and distribution on listed securities	\$3,089,332	\$3,733,261	
Interest on bank deposits and bank bills	\$50,177	\$226,186	
Rental and sundry income	\$1,247,668	\$1,217,755	F 9
Total revenue from continuing operations	\$11,950,075	\$7,548,794	**
Less expenses from continuing operations	2021	2020	
Disability benefits – lump sums	\$6,057,658	\$6,879,325	80
Death benefits	\$260,000	\$260,000	
Disability benefits – monthly	\$2,436,376	\$1,695,797	
Increase/(Decrease) in Movement of Provision for Claims	(\$2,292,400)	\$5,544,400	
Sub-total	\$6,461,634	\$14,379,522	
Administration expenses	\$2,439,234	\$2,773,962	
Property expenses	\$170,522	\$74,316	8
Total expenses from continuing operations	\$9,071,390	\$17,227,800	
Net profit/(loss) before changes in investments	\$2,878,685	(\$9,679,006)	
Net fair value gain/(loss) on investment securities	\$15,426,922	(\$5,681,904)	
Net fair value gain/(loss) on investment properties	\$6,780,000	(\$2,880,000)	
Profit/(loss) before income tax expense	\$25,085,607	(\$18,240,910)	25 40
Income tax expense/(benefit)	\$7,166,708	(\$2,202,933)	
Profit/(loss) for the period	\$17,918,899	(\$16,037,977)	
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FINANCIAL POSITION

Õ	Statement of financial position (abbreviated) for the year ended 30 April 2021				
	Assets	2021	2020		
ý	Cash at call and receivables	\$6,983,949	\$6,729,960		
	Term deposits (up to 90 days)	\$5,000,000	\$1,000,000		
Ľ	Total current assets	\$11,983,949	\$7,729,960		
e	Term deposits (more than 90 days)	\$0	\$7,000,000		
1	Fixed Interest	\$2,694,690	\$3,346,111		
	Other financial assets at cost	\$54,433,415	\$49,379,057		
	Change in fair value of other financial assets	\$41,868,334	\$27,474,944		
	Total financial assets	\$98,996,439	\$87,200,112		
	Investment properties, plant and equipment	\$27,410,750	\$20,632,987		
	Other non current assets	\$153,245	\$191,687		
	Total assets	\$138,544,383	\$115,754,746		
	Liabilities	2021	2020		
	Payables	\$2,238,363	\$1,702,739		
1	Current tax liabilities	\$680,934	\$899,428		
1	Provisions – current and non current	\$37,171,700	\$38,994,288		
P	Deferred tax liabilities	\$18,018,828	\$11,642,632		
	Total liabilities	\$58,109,825	\$53,239,087		
P	Net assets	\$80,434,558	\$62,515,659		
	Total equity – retained earnings	\$80,434,558	\$62,515,659		

Note: These abbreviated accounts reflect the audited accounts for the financial years of 2020 and 2021.

YOUR TEAM

We know that a loss of licence can have serious consequences to your livelihood and your family's financial security. That's why the MBF was established; by pilots, for pilots, over 60 years ago. Since 1961, we have been providing peace of mind and financial support for Australia's pilots through the most difficult times of their careers.

Easy, Personal, No Nor No call centre queues, no claims depart n With your MBF it's lost a few simple, strain

sense Process

un-arounds, no cumbersome processes. ward steps. Wherever you are, you can access the MBF.





Troy Browning Ex-General Manager



Michelle Vong Accountant, Facilities & General Manager



alindra Heyes embership Assistant



Pip Berquist Membership Manager



Christine Simpson Claims Manager



Karen Ellis Membership Assistant



Felecia Fernande Bookeeper



THE BOARD MEMBERS THAT SERVE YOU

The MBF's Trustee Directors are fellow pilots with your interests at heart. They have a firm understanding of the life you live and the risks you take.













Capt. Matthew Nielsen









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BE SAFE AND HERE'S TO A MORE STABLE FUTURE

AUSTRALIAN AIR PILOTS MUTUAL BENEFIT FUND

Business Hours: 9am - 5pm Monday to Friday

T 1300 380 300 E membership@aapmbf.com.au www.aapmbf.com.au

+ AAPMBF.COM.AU