
Equipsuper

ABN 33 813 823 017

Financial Statements

For the year ended 30 June 2021

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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	Notes	2021 \$000	2020 \$000
Assets			
Cash and cash equivalents		96,344	55,078
Receivables	15	706,847	44,578
Investments	6	30,364,449	15,913,858
Plant and equipment		3,837	2,135
Deferred tax assets	9	1,565	1,063
Total assets		31,173,042	16,016,712
Liabilities			
Payables	16	(68,070)	(49,933)
Income tax payable		(120,593)	(13,318)
Deferred tax liabilities	9	(508,543)	(202,101)
Total liabilities excluding member benefits		(697,206)	(265,352)
Net assets available for member benefits		30,475,836	15,751,360
Member liabilities:			
Defined contribution member liabilities	3	(28,076,646)	(13,708,348)
Defined benefit member liabilities	4	(1,742,935)	(1,723,944)
Total member liabilities		(29,819,581)	(15,432,292)
Total net assets		656,255	319,068
Equity			
Operational risk financial reserve		78,300	41,490
Administration reserve		86,988	34,337
Insurance reserve		7,926	6,162
Investment reserve		71,599	(23,039)
Defined benefit plans over funded		411,442	260,118
Total equity		656,255	319,068

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

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 \$000	2020 \$000
Superannuation activities			
Interest		26,506	59,585
Dividend revenue		434,688	434,111
Other investment income		10,743	7,039
Changes in assets measured at fair value	7	2,300,136	(360,219)
Other income		2,860	692
Total superannuation activities income		2,774,933	141,208
Investment expenses		(49,289)	(48,738)
Administration expenses		(37,556)	(41,624)
Total expenses		(86,845)	(90,362)
Net result from superannuation activities		2,688,088	50,846
Net change in defined benefit member liabilities		(69,681)	(274,018)
Net benefits allocated to defined contribution member accounts		(2,167,224)	(137,558)
Net profit/(loss) before income tax		451,183	(360,730)
Income tax (expense)/benefit	9	(246,817)	22,540
Net profit/(loss) after income tax		204,366	(338,190)

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

**STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2021**

	Defined Contribution Members' Benefits*	Defined Benefit Members' Benefits*	Total
	\$000	\$000	\$000
Opening balance as at 1 July 2020	13,708,348	1,723,944	15,432,292
Member contributions	115,040	1,835	116,875
Spouse contributions	553	-	553
Employer contributions	549,424	37,681	587,105
Transfers from other superannuation plans	212,305	693	212,998
Transfer – Successor Fund Transfer	834,306	51,487	885,793
Transfer - MLMM Successor Fund Transfer	11,375,002	-	11,375,002
Transfers to other superannuation plans	(474,967)	-	(474,967)
Income tax on contributions	(76,765)	(4,710)	(81,475)
Net after tax contributions	12,534,898	86,986	12,621,884
Benefits paid to members/beneficiaries	(435,915)	(31,702)	(467,617)
Insurance premiums charged to members	(26,397)	(4,046)	(30,443)
Death and disability benefits credited to member accounts	25,301	1,261	26,562
Transfer of funds from defined benefit member benefits	-	(103,189)	(103,189)
Transfer of funds to defined contribution member benefits	103,189	-	103,189
Net benefits allocated comprising:			
Net investment income allocated	2,199,867	-	2,199,867
Administration fees**	(32,645)	-	(32,645)
Net change in DB member benefits	-	69,681	69,681
Closing balance as at 30 June 2021	28,076,646	1,742,935	29,819,581

*Note that Defined Contribution balances that belong to Defined Benefit members are included in the Defined Contribution Members' Benefits column.

** Defined Benefit Administration fees are deducted from Employer Benefit Account (EBA) and not from the members' account.

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

**STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2020**

	Defined Contribution Members' Benefits*	Defined Benefit Members' Benefits*	Total
	\$000	\$000	\$000
Opening balance as at 1 July 2019	13,410,531	1,659,878	15,070,409
Member contributions	88,891	2,080	90,971
Spouse contributions	571	-	571
Employer contributions	531,933	23,689	555,622
Transfers from other superannuation plans	305,144	-	305,144
Transfer – Successor Fund Transfer	150,608	-	150,608
Transfers to other superannuation plans	(578,534)	-	(578,534)
Income tax on contributions	(73,799)	(3,181)	(76,980)
Net after tax contributions	424,814	22,588	447,402
Benefits paid to members/beneficiaries	(450,221)	(40,790)	(491,011)
Insurance premiums charged to members	(27,122)	(3,376)	(30,498)
Death and disability benefits credited to member accounts	23,542	872	24,414
Transfer of funds from defined benefit member benefits	-	(189,246)	(189,246)
Transfer of funds to defined contribution member benefits	189,246	-	189,246
Net benefits allocated comprising:			
Net investment income allocated	165,738	-	165,738
Administration fees**	(28,180)	-	(28,180)
Net change in DB member benefits	-	274,018	274,018
Closing balance as at 30 June 2020	13,708,348	1,723,944	15,432,292

*Note that Defined Contribution balances that belong to Defined Benefit members are included in the Defined Contribution Members' Benefits column.

** Defined Benefit Administration fees are deducted from Employer Benefit Account (EBA) and not from the members' account.

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Notes	2021 \$000	2020 \$000
Cashflows from operating activities			
Interest received		88	333
Insurance premiums paid		(29,845)	(33,324)
Other income		361	930
Administration expenses		(35,101)	(37,285)
Investment expenses		(39,077)	(41,690)
Other expenses		(993)	(1,020)
Death and disability benefits received		25,957	23,110
Plant and equipment purchased		(234)	(117)
Income tax (paid)/refund		(48,490)	32,148
Net cash inflow/(outflow) from operating activities	14	(127,334)	(56,915)
Cashflows from investing activities			
Net (purchases)/sales of investments		(650,444)	126,092
Net cash inflow/(outflow) from investing activities		(650,444)	126,092
Cashflows from financing activities			
Employer contributions		587,306	555,767
Member contributions		118,811	91,007
Spouse contributions		553	571
Benefit payments made to members		(466,643)	(487,631)
Income tax paid on contributions		(81,475)	(76,980)
Transfers from other superannuation plans		1,101,209	452,157
Transfers to other superannuation plans		(474,967)	(578,534)
Net cash inflow(outflow) from financing activities		784,794	(43,643)
Net increase/(decrease) in cash		7,016	25,534
Cash at the beginning of the financial period		55,078	29,544
Transfer from MLMM Superannuation Fund		34,250	-
Cash at the end of the financial period		96,344	55,078

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

**STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 JUNE 2021**

	Operational Risk Financial Reserve	Admin Reserve	Insurance Reserve	Investment Reserve	Defined Benefit plans over/ (under) funded	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	41,490	34,337	6,162	(23,039)	260,118	319,068
Transfer between reserves:	(1,100)	1,100	-	-	-	-
Operating result:	7,108	14,356	765	32,994	149,143	204,366
Successor Fund Transfer In:	2,210			1,947	2,181	6,338
Transfer from MLMM Super:	28,592	37,195	999	59,697	-	126,483
Closing balance	78,300	86,988	7,926	71,599	411,442	656,255

**STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 JUNE 2020**

	Operational Risk Financial Reserve	Admin Reserve	Insurance Reserve	Investment Reserve	Defined Benefit plans over/ (under) funded	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	41,283	30,903	6,000	85,195	492,712	656,093
Transfer into reserves:	-	1,165	-	-	-	1,165
Operating result:	207	2,269	162	(108,234)	(232,594)	(338,190)
Closing balance	41,490	34,337	6,162	(23,039)	260,118	319,068

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

1. The Fund

Equipsuper Superannuation Fund (the “Fund” or “Equipsuper”) was originally established in 1931 by the State Electricity Commission of Victoria (SECV) to provide superannuation benefits for its staff. The Fund has developed into a multi-employer Fund offering a diverse product range following the disaggregation of the SECV (1994) and various mergers.

The purpose of the Fund is to offer defined benefit and defined contribution benefits for members, account based pensions and defined benefit pensions for retired members and eligible dependents and rollover benefits for members who have terminated employment but not retired.

The Trustee company for the Fund is Togethr Trustees Pty Ltd (former name Equipsuper Pty Ltd) ABN 64 006 964 049 (the ‘Trustee’). The Trustee’s registered office is Level 12, 330 Collins Street, Melbourne VIC. Both the Trustee and the Fund are domiciled in Australia and registered with the Australian Prudential Regulation Authority (APRA). The Fund is a complying superannuation fund under the Superannuation Industry (Supervision) Act 1993.

Successor Fund Transfers

On 30 June 2021, the Fund undertook a successor fund transfer with the MyLifeMyMoney Superannuation Fund. The change to net member liabilities of \$11.4bn is included separately in the statement of changes in members benefits. The assets and liabilities transferred were:

	2021
	\$000
Assets	
Cash and cash equivalents	34,250
Receivables	45,675
Investments	11,333,532
Investment receivable	325,520
Plant and equipment	1,851
Deferred tax assets	494
Total assets	<u>11,741,322</u>
Liabilities	
Payables	11,855
Income tax payable	71,811
Deferred tax liabilities	156,171
Total liabilities excluding member benefits	<u>239,837</u>
Net assets available for member benefits	11,501,485
Total member liabilities	11,375,002
Total net assets	<u>126,483</u>
Equity	
Operational risk financial reserve	28,592
Administration reserve	37,195
Investment reserve	59,697
Insurance reserve	999
Total equity	<u>126,483</u>

1. The Fund (continued)

Successor Fund Transfers (continued)

On 30 April 2021, the Fund undertook a successor fund transfer with the Toyota Superannuation Fund. The change to net member liabilities of \$886 million for the Toyota Superannuation Fund is included in transfers from other superannuation plans in the statement of changes in members benefits.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose statements which have been drawn up in accordance with Australian Accounting Standards, the Superannuation Industry (Supervision) Act 1993 and Regulations and the provisions of the Trust Deed.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The financial statements are prepared on a going concern basis.

The financial statements were authorised for issue by the Trustee's board of directors on 23 September 2021. The Trustee's board of directors have the power to amend and reissue this financial report.

(b) New accounting standards and interpretations

There are no standards, interpretations or amendments to standards that are effective for the first time in the financial year commencing 1 July 2020 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. These have not been adopted early and have not been assessed for impact due to the successor fund transfer

(c) Financial instruments

(1) Classification

The Fund's investments and derivative liabilities are classified as at fair value through profit or loss.

(2) Recognition and de-recognition

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

Financial assets and financial liabilities 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.

2. Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(3) Measurement

At initial recognition, the Fund measures financial assets and liabilities at fair value. All transaction costs for such instruments are recognised directly in the income statement.

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

Further information on fair value of financial instruments is included in note 13.

(4) Offsetting

Financial assets and liabilities are only offset and the net amount presented in the statement of financial position when the Fund has a legally enforceable right to set off the recognised amounts and it is intended either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(d) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents 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.

(e) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value. Receivables are normally settled within 30 days.

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 financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled on 30-day terms.

(f) Plant and equipment

Plant and equipment are carried at historical cost less accumulated depreciation and any accumulated impairment losses which approximate to fair value.

(g) Revenue recognition

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 and recognised in the income statement.

2. Summary of significant accounting policies (continued)

(g) Revenue recognition (continued)

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

Dividend and distribution revenue are 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.

(h) Income tax

The Fund is a complying superannuation fund for the purpose 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. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted at the balance date.

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

Current tax assets and liabilities are measured as the amount expected to be recovered from or paid to the taxation authorities for the current year and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future 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.

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. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Goods and services tax (GST)

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

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

The net amount 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.

2. Summary of significant accounting policies (continued)

(i) Goods and services tax (GST) (continued)

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

(j) Foreign currency

The functional and presentation currency of the Fund is Australian Dollars, which is the currency of the primary economic environment in which it operates.

All foreign currency transactions during the financial year 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 period in which they arise.

(k) Member liabilities

Defined benefit members 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 that date when they are expected to fall due.

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

(l) Significant accounting judgements, estimates and assumptions

The preparation of 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 could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been represented to be consistent with current period disclosures.

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. Since that time, the pandemic has had a significant impact on the community, the economy, investment markets, and the operations of businesses across the country and world.

On 22 March 2020 the federal government announced a temporary measure due to the effects of coronavirus on the economy. This new rule allowed individuals to access up to \$10,000 of their superannuation in 2019/20 and a further \$10,000 in 2020/21. This measure ended on 31 December 2020.

For the year ended 30 June 2021 the Fund paid out \$82.60 million (year ended 30 June 2020: \$48.72 million) in benefits to members seeking early access to their super.

2. Summary of significant accounting policies (continued)

(I) Significant accounting judgements, estimates and assumptions (continued)

The Trustee has considered the impact of the government's response to COVID-19 and other market volatility in preparing its financial statements.

The key areas of impact were as follows:

- Investment valuation - The global pandemic has impacted global economic activity and, to varying degrees, financial markets around the world. As a result, assessing fair value as at reporting date involves increased uncertainties around the underlying assumptions for valuations given the very wide range of potential paths forward for both economies, policy responses and asset fundamentals. Additionally, very low, if any, transaction volumes in some sectors make evidential valuation difficult.

At the previous reporting date, reduced transaction volume was driven by the unfolding crisis, and therefore the quality of estimates of the value of assets was impacted. Whilst liquidity has returned to markets, the price of certain assets has been heavily influenced by policy intervention. As a result, our assessment of fair value is partly dependent on there not being significant changes to policy.

Fair Value of Investments

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. Further information on the techniques used is included in note 7.

Changes in assumptions about these factors could affect the reported fair value of these investments.

2. Summary of significant accounting policies (continued)

(l) Significant accounting judgements, estimates and assumptions (continued)

Valuation of defined benefit member liabilities

The amount of member liabilities in relation to defined benefit has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions relate to member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long-term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

Refer to Note 4 for more information.

(m) Insurance

The Fund acts in the capacity of an agent with respect to insurance arrangements.

The Fund provides income protection, death and disability benefits to its members. The Trustee has group policies in place with third party insurance companies to ensure there is income protection, death and disability benefits available for the members of the Fund.

The Fund collects premiums from members on behalf of the insurance companies. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore, group life insurance premiums are not revenues or expenses of the Fund and do not give rise to insurance contract liabilities and reinsurance assets. Group life insurance premiums charged to members' accounts and insurance proceeds allocated to members' accounts are recognised in the Statement of Changes in Member Benefits.

(n) Comparative amounts

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current period's financial statements. As a result, some line items in the notes to the financial statements have been reclassified to align comparative information with the current year's presentation.

(o) Rounding of amounts

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

3. Defined contribution member liabilities

The Defined Contribution division is an accumulation fund that offers investment, contribution and insurance. Defined Benefit division members who wish to “top-up” their defined benefits may also invest in the Defined Contribution division.

Defined contribution member account balances are determined by unit prices that are determined based on the underlying investment options. Defined contribution members bear the investment risk relating to the underlying investment options. Unit prices used to measure the member liabilities are updated daily for movements in investment values.

At 30 June 2021 all net assets attributable to defined contribution members have been allocated to those members (2020: nil) except for the Investment Reserve, which is attributed to members subsequent to year end.

Defined contribution member liabilities are fully vested.

4. Defined benefit member liabilities

Members of the Defined Benefit division are employees of employers with defined benefit plans for their employees. There are 41 sub plans (2020: 43 sub plans) within the Defined Benefit division, with each sub plan related to a different employer. The benefits provided and the contribution levels by members and employers depend on the particular benefit division of the sub plan. When a member retires and takes a lifetime pension, the pension liability is supported by assets in the defined benefit Employer Benefit Account.

The Fund engages qualified actuaries on an annual basis to measure the defined benefit members' liabilities.

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. This assessment may result in an employer being required to make additional contributions to the sub plan. The defined benefit sub plans are quarantined from the other assets of the Fund. In an event that the assets of a particular sub plan are not adequate to provide for members' liabilities and if the employer contributions are insufficient, the member liabilities are limited to the assets of the particular sub plan.

The main assumptions used to determine the value of the accrued benefits for the sub plans were:

- The assumed discount rate determined by reference to the future rate of investment returns;
- The future rate of salary growth; and
- The future rate of pension increases.

The defined benefit members' liabilities have changed in the current financial year as a result of salary increases and additional service accrual.

The Trustee has a number of processes in place to manage the risks associated with defined benefit sub plans. The Trustee has appointed external consulting actuaries to advise on risks, including establishing suitable funding objectives. These funding objectives and the defined benefit sub plans circumstances are taken into account by the actuaries when recommending the required employer contribution levels.

4. Defined benefit member liabilities (continued)

The appointed actuary reports to management semi-annually on the status of the defined benefit sub plans. Where a sub plan is in or is likely to enter an unsatisfactory financial position, the report sets out any remedial action and agreed rectification programs in respect of each employer.

There are no employer sponsored contributions receivable as at 30 June 2021 (2020: Nil).

The Trustee also uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The Fund has identified two assumptions (being the discount rate and the rate of salary adjustment) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities.

- i. The assumed discount rate has been determined by reference to the investment returns expected on an investment portfolio that reflects the opportunities reasonably available to the Fund in the investment markets, and also reflects the Fund's actual investments and investment strategy in respect of defined benefit member liabilities. The assumed discount rate is dependent on the specific investment strategy selected by the employer for their defined benefit sub plan.
- ii. The assumed annual salary adjustment has been determined by reference to the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors. The rate applied to each defined benefit sub plan is specific to the employer.

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include: pension indexation rates, mortality rates and resignations.

The table below summarises the sensitivity calculations on a univariate basis for investment return and rate of salary adjustment assumptions for the defined benefit sub plans.

2021 Sensitivity Analysis

	Range utilised by sub-plans		Amount of increase/(decrease) in member liabilities \$000	
			Reasonable possible change in Discount rate of -1% and change in the salary rate of +1%	Reasonable possible change in Discount rate of -1% and change in the salary rate of +1%
	2021	2020	2021	2020
Discount rate	3.25% pa to 4.5% pa	3.4% pa to 5.3% pa	118,187	123,565
Salary adjustment rate	2.0% pa to 4.5% pa	2.0% pa to 5.8% pa	90,333	95,093

5. Defined benefit plans that are over/(under) funded

As at 30 June 2021 the assets of the Defined Benefit Division in aggregate exceeded accrued benefits in that division by \$411 million (2020: \$260 million above) and Vested Benefits \$442 million above (2020: \$312 million above). The Defined Benefit Division is made up of 41 separately funded plans and accrued benefit liabilities, which on an individual basis have different levels of funding. All sub plans are contributing at the rate recommended by the actuaries.

As at the 30 June 2021 there were no plans under funded.

6. Investments at fair value

	2021 \$'000	2020 \$'000
Cash and deposits	1,776,022	1,474,326
Derivatives	(85,279)	53,523
Listed equities	11,670,153	6,034,989
Listed unit trusts	941,067	346,939
Other interest-bearing securities	2,274,213	2,226,622
Unlisted equities	1,351,863	641,227
Unlisted unit trusts	11,176,236	4,787,085
Unlisted partnerships	1,258,608	347,511
Annuity	1,566	1,636
	<u>30,364,449</u>	<u>15,913,858</u>

7. Changes in fair value of investments

	2021 \$000	2020 \$000
Cash and deposits	(3,333)	(7,840)
Derivatives	118,895	(65,401)
Listed equities	1,781,113	(57,083)
Listed unit trusts	112,564	(36,044)
Other interest-bearing securities	(21,326)	45,998
Unlisted equities	59,778	(48,056)
Unlisted unit trusts	269,964	(189,225)
Unlisted partnerships	(17,449)	(2,623)
Annuity	(70)	55
Changes in fair value of investments	<u><u>2,300,136</u></u>	<u><u>(360,219)</u></u>

8. Reserves

The Trustee operates the following Reserves.

Operational Risk Financial Reserve

Established to meet the requirements of Superannuation Prudential Standard 114 “Operational Risk Financial Requirement”, this reserve is intended to provide financial resources to address losses that may arise from operational risks. The target funding level for this reserve is 25 basis points (or 0.25%) of total member entitlements. The reserve is monitored on an on-going basis and replenished with additional funds in the event the balance falls below the tolerance limit.

Administration Reserve

Established to facilitate the finance of current and future operational requirements of the Fund, this reserve is available to meet both day-to-day operational costs as well as one-off approved expenditures considered to be in the long-term interests of members.

Investment Reserve

The Investment Reserve reflects the net investment earnings accumulated which have not yet been allocated to members. The daily value will represent difference between the cumulative amount of net investment income (after fees and taxes) earned by the Fund and the cumulative returns provided to members via the unit price. The key component will represent the differences between the estimated tax rates utilised in the daily unit pricing and the actual investment tax experience of the Fund. This difference is trued up to the unit price on a regular basis.

Insurance Reserve

The Insurance Reserve has two components:

- The self insurance component is used to fund the future service component of the death and disability benefits of certain defined benefit members (historical self-insurance policies).
- Premium adjustment component is used to cover additional premiums payable to the insurer due to premium adjustments agreed with the insurer.

9. Income tax

	2021	2020
	\$000	\$000
(a) Major components of income tax expenses for the years ended 30 June 2021 and 2020:		
Current tax expense		
Current tax charge	79,298	5,531
Adjustment in respect of current income tax of previous years	11,632	17,811
Deferred tax		
Relating to origination and reversal of temporary differences	151,478	(45,882)
Successor Fund Transfer	4,409	-
Total tax expense/(benefit) as reported in income statement	<u>246,817</u>	<u>(22,540)</u>
(b) Reconciliation between income tax expenses and the accounting profit before income tax:		
	2021	2020
	\$000	\$000
Profit/(loss) from operating activities	<u>2,690,269</u>	<u>(57,306)</u>
Income tax (benefit) at 15%	403,540	(8,596)
Increase in tax expense due to:		
Under provision in prior years	11,632	17,811
Pension exemption	(22,273)	(7,216)
Difference between accounting and tax	(935)	22,772
Discount on capital gains and realised loss offset	(103,125)	-
Net imputation and foreign tax credits	<u>(42,022)</u>	<u>(47,311)</u>
Income tax expense/(benefit) reported in the income statement	<u>246,817</u>	<u>(22,540)</u>

9. Income tax (continued)

(c) Deferred tax

2021

Type of Temporary Difference	2021			
	Opening balance \$000	Charged to income \$000	Other Movement \$000	Closing balance \$000
Deferred tax assets				
Fund expenses accrued but not incurred	1,063	8	-	1,071
SFT take on balance	-	-	494	494
	1,063	8	494	1,565
Deferred tax liabilities				
Accrued income	(911)	(2,589)	-	(3,500)
Unrealised gains on investments	(201,190)	(148,897)	5,624	(344,463)
Successor Fund Transfers	-	(4,409)	-	(4,409)
MLMM SFT take on balance	-	-	(156,171)	(156,171)
	(202,101)	(155,895)	(150,547)	(508,543)
Net deferred tax asset/(liability)	(201,038)	(155,897)	(150,053)	(506,978)

2020

Type of Temporary Difference	2020			
	Opening balance \$000	Charged to income \$000	Other Movement \$000	Closing balance \$000
Deferred tax assets				
Fund expenses accrued but not incurred	884	179	-	1,063
SFT take-on balance	-	-	-	-
	884	179	-	1,063
Deferred tax liabilities				
Accrued income	(3,239)	2,328	-	(911)
Prepaid expenses	(26)	26	-	-
Unrealised gains on investments	(244,542)	43,352	-	(201,190)
SFT Take-on balance	-	-	-	-
	(247,807)	45,706	-	(202,101)
Net deferred tax asset/(liability)	(246,923)	45,885	-	(201,038)

10. Related parties

a. Key management personnel

Directors

Key management personnel includes persons who were directors of the Trustee at any time during or since the end of the financial year and up to the date of signing these financial statements as follows:

D.G. Casey
M. Cassin (Appointed 1 August 2021)
M.N. Cerche
M.J. Clinch (Retired 30 June 2021)
P. Davy-Whyte
J.C. Dekker
D. Doolan (Appointed 11 October 2020)
A.E.J. Fairley AM (Retired 30 June 2021)
C.M. Harkin (Retired 31 March 2021)
P.J. Haysey (Retired 30 June 2021)
J.S. Hickey
D.K. James (Retired 30 June 2021)
S. Rahmani (Appointed 1 June 2021)
S.M. Thompson

Details of individual directors and their attendances at director meetings is available on the website of the Trustee company.

Other key management personnel

Other key management personnel during the financial year, and up to the date of this report are as follows:

S.A. Cameron (Chief Executive Officer))
N.E. Alford (Executive Officer, Governance and Risk)
T.N. Cumming (Chief Member Officer)
M. Ellis (Executive Officer, Employer Relations) (Resigned 6 August 2021)
B.J. Grant (Chief Operating Officer) (Ceased as key management personnel 1 February 2021)
S.J. Guthleben (Executive Officer, People and Culture)
D. O'Sullivan (Executive Officer, Joint Venture Integration Projects and Catholic Super Legal Counsel) (Ceased employment 4 December 2020)
A. Papile (Executive Officer, Strategic Operations and Delivery) (Appointed 1 February 2021)
M. Pizzichetta (Chief Financial Officer)
A.L. Shelley (Chief Investment Officer) (Resigned 9 July 2021)
A.G. Vogt (Executive Officer, Financial Planning) (Appointed 1 February 2021)

Directors are paid by the Trustee Company. Other key management personnel compensation are paid by either the Trustee Company or MyLifeMyMoney Superannuation Fund. During the period of the Joint Venture and pre Successor Fund Transfer, the remuneration of key management personnel was allocated between the MyLifeMyMoney Superannuation Fund and Equipsuper Superannuation Funds in fair and reasonable manner which is consistent with the best interests of both Funds member beneficiaries.

10. Related parties (continued)

a. Key management personnel (continued)

Directors and key management personnel compensation for the years ended 30 June is set out below:

	2021 \$	2020 \$
Short-term employment benefits	4,572,449	5,567,663
Post-employment benefits	301,430	322,723
Long-term benefits	43,908	69,067
Termination benefits	195,680	686,348
	5,113,467	6,645,801

Directors and any Key Management Personnel who are members of the Fund contribute and receive benefits on the same terms and conditions as those available to other members.

Details of individual directors and executives remuneration is available on the website of the Trustee company.

b. Related Party Transactions

Togethr Trustees Pty Ltd incurs costs to administer the Funds, these costs are reimbursed by the Funds on a cost recovery basis. Allocation of costs between the MyLifeMyMoney Superannuation Fund and Equipsuper Superannuation Fund is based on the Trustee's Cost Allocation Policy. During the Joint Venture (JV), this Policy sets out the basis for allocating costs in a fair and reasonable manner across the two funds that is consistent with the best interests of all the Fund's members and beneficiaries.

The fees paid as a reimbursement to the Trustee company by the Fund during the year were \$37,220,468 (2020: \$44,617,249). The amounts due and payable at balance sheet date were \$4,581,462 (2020: \$4,846,525).

Togethr Asset Management Pty Ltd is a related party of the Trustee through common control and provides the Fund with investment management services. The fees paid as a reimbursement to Togethr Asset Management Pty Ltd by the Fund during the year were \$27,415,266 (2020: \$30,350,566). The amounts due and payable at balance date were \$23,164,638 (2020: \$15,912,481).

Togethr Financial Planning Pty Ltd is a related party of the Trustee through common control and provides the Fund with financial planning services. The service fees paid to Togethr Financial Planning Pty Ltd by the Fund during the year were \$2,672,621 (2020: \$2,737,284). The amounts due and payable at balance date were \$587,380 (2020: \$124,502).

The Fund has transferred money to the Trustee to meet Australian Prudential Regulation Authority Registrable Superannuation Entity Licensing conditions. The money is held in a term deposit and must be returned to the Fund if the Trustee company is wound up. The amount included in payables at balance date is \$100,000 (2020: \$100,000).

The Trustee company purchases gas, electricity, water and other related services from employers who participate in the Fund. The transactions are carried out on an arms-length basis.

10. Related parties (continued)

b. Related Party Transactions (continued)

Mr A. E. J. Fairley AM provides consulting services to Hall and Willcox. The Trustee company used Hall and Willcox's legal services during the year, with expenses totalling \$132,914 during the current financial year (2020 \$77,431).

M.N. Cerche is a former partner of Allens and is entitled to a retirement income payment from Allens. The Trustee company used Allens legal services during the year, with expenses totalling \$338,438 during the current financial year (2020 \$511,097).

The Trustee company paid the Australian Financial Complaints Authority Limited (AFCA) a membership levy of \$268,899 (2020: \$180,578) to fund the operations of AFCA. Membership is required under SIS Act 1993 (amended). Mr A. E. J. Fairley AM is an industry director of AFCA.

Terms and conditions of transactions with related parties

All related party transactions are at arm's length and on normal commercial terms and conditions. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

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

d. Controlled entities

The Fund invests in the following controlled entities:

	30 June 21	30 June 20
Equisuper Holdings Pty Ltd	100%	100%
South Australia Ports Trust	100%	100%
Equisuper Growth Alternatives Holdings Pty Ltd	100%	100%
MyLifeMyFinance Limited	100%	100%
Australian Social Infrastructure Pty Ltd	100%	100%

The Fund fulfils the definition criteria of an investment entity and has elected to adopt the exemption from consolidation afforded by AASB 10 'Consolidated Financial Statements' and does not consolidate the entities it controls. Instead, interests in controlled entities are measured at fair value.

The Fund meets the criteria which define an investment entity because the Fund:

- Obtains funds from members for the purpose of providing those members with investment management services;
- Commits to its members that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- Measures and evaluates the performance of all its investments on a fair value basis.

The Fund's product disclosure statement details its objectives of providing services to members which include investing in equities, fixed income securities and private equity for the purpose of returns in the form of income and capital appreciation.

The Fund reports to its members via an annual report, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by AASB 1056 in the Fund's annual report. The Fund has a clearly documented exit strategy for all of its investments.

11. Segment information

The Fund operates in one business segment, being the provision of superannuation benefits to members. The Fund also operated from one reportable geographic segment, being Australia, from where its activities are managed. Whilst the Fund operates from Australia only, the Fund has investment exposures in different countries and across different industries. Revenue is derived from interest, dividends, realised gains on sales of investments and unrealised changes in values of investments.

12. Financial risk management

Risk is inherent in the Fund's activities, but it is managed through the process of ongoing identification, measurement, monitoring, imposition of risk limits and other controls. The Fund is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Fund's overall objective is to generate a return on investment for the benefit of the Fund's members.

The Trustee is responsible for identifying and controlling the risks that arise from the financial instruments held and does this through the Fund's Risk Management Framework. The framework is composed of Risk management policies and systems which are reviewed regularly to reflect changes in market conditions and the Fund's activities. Compliance with the framework is subject to regular review both by management and the Board and also via an annual audit.

The financial risks are managed by the Trustee through approving the investment objectives and strategic asset allocation for each investment option, including the Defined Benefit Division. The Fund's Investment Governance Framework sets out the policies, procedures, standards, resources and governance measures relevant to the management of the Fund's investments.

The Board has delegated certain powers to the Investment Committee, which is responsible for developing and monitoring the Fund's risk management policies related to investment activities. This includes the selection of fund managers, oversight of the allocation of investments to fund managers and evaluating their performance.

In carrying out the above responsibilities, the Investment Committee and Board receives reporting from management and external advisers.

Each fund manager is required to invest the assets managed by it in accordance with the terms of a written mandate.

The Investment Committee uses different methods to measure different types of risk to which the Fund is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and rating analysis for credit risk. The Investment Committee, in conjunction with its investment adviser, uses a range of qualitative and quantitative measures when assessing the individual fund managers' and overall Fund's investment arrangements.

12. Financial risk management (continued)

The outlines of the various risks are a generic assessment of the financial risks and associated sensitivity analysis for the investment assets classes of the Fund. The impact of these sensitivities will vary between members depending on the members' choice of investment option(s). It is through the investment option that the member has exposure to the investment assets of the Fund and any movement in the underlying financial instruments.

(b) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The Fund is exposed to the risk of credit related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations.

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in interest bearing securities. The Fund is also exposed to credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values (i.e. derivative assets). The risk associated with these contracts is minimised by undertaking transactions with high quality counterparties on recognised exchanges and ensuring that transactions are undertaken with a number of counterparties.

There are no significant financial assets that are past due or impaired (2020: nil).

Credit quality per class of debt instrument

The Fund invests in debt securities of which the majority are rated by well-known and industry recognised rating agencies. Investment managers manage the exposure to credit risk by setting limits to assessed credit ratings groupings.

The fair value of financial assets included in the Statement of Financial Position represents the Fund's exposure to credit risk relating to those assets. An analysis of debt securities by rating is set out below.

12. Financial risk management (continued)

(b) Credit risk (continued)

30 June 2021

	Short term rating		Long term rating						Total
	A1 \$000	A2 \$000	AAA \$000	AA \$000	A \$000	BBB \$000	Non-investment grade \$000	Not rated \$000	
Cash and deposits	1,776,022	-	-	-	-	-	-	-	1,776,022
Discount securities	485,802	178,739	-	-	-	-	-	76,979	741,520
Fixed interest securities	-	-	513,434	253,694	85,230	72,619	-	58,556	983,533
Indexed securities	-	-	7,335	531	-	-	-	55,270	63,136
Floating rate notes	-	-	-	27,512	114,219	133,580	-	25,516	300,827
Mortgage securities	-	-	144,814	-	-	-	-	35,805	180,619
Loans	-	-	-	-	-	-	-	4,578	4,578
Total other interest-bearing securities	485,802	178,739	665,583	281,737	199,449	206,199	-	256,704	2,274,213

30 June 2020

	Short term rating		Long term rating						Total
	A1 \$000	A2 \$000	AAA \$000	AA \$000	A \$000	BBB \$000	Non-investment grade \$000	Not rated \$000	
Cash and deposits	1,474,326	-	-	-	-	-	-	-	1,474,326
Discount securities	724,762	1,998	-	-	-	-	-	-	726,760
Fixed interest securities	-	-	131,183	148,991	124,003	85,120	-	284,896	774,193
Indexed securities	-	-	7,667	1,204	-	-	-	64,219	73,090
Floating rate notes	-	-	-	134,130	122,247	66,763	-	31,938	355,078
Mortgage securities	-	-	172,200	-	-	-	-	68,864	241,064
Loans	-	-	-	-	-	3,098	53,134	205	56,437
Total other interest-bearing securities	724,762	1,998	311,050	284,325	246,250	154,981	53,134	450,122	2,226,622

12. Financial risk management (continued)

(b) Credit risk (continued)

Risk concentrations of the maximum exposure to credit risk

Concentration of credit risk is managed by counterparty and by geographical region. The Fund's financial assets in interest bearing securities except cash and deposits can be analysed by the following geographic regions:

	2021	2020
	\$'000	\$'000
Australia	2,205,044	2,090,283
North America	18,709	103,812
Europe	51,795	32,527
Asia	22	-
Total	2,275,570	2,226,622

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Fund's investment in financial instruments, which under market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Fund's significant financial liabilities are members' funds and payable liabilities.

The Fund manages its obligation to pay member liabilities on an expected maturity basis based on management's estimates of when such funds will be drawn down by members. The Fund considers it is highly unlikely that all members will request to roll over their superannuation fund account at the same time.

Other financial liabilities of the Fund comprise payables which are contractually due within 30 days and derivative liabilities comprising foreign exchange contracts payable within 12 months.

As at 30 June 2021	Carrying Amount	Less than 1	1-6 months	>6 months
	\$'000	month	\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
Net settled derivatives	342	-	2,170	(1,829)
Unsettled investment accruals	31,725	31,725	-	-
Foreign exchange contracts	84,937	21,156	63,782	-
Other payables	68,070	68,070	-	-
Income tax payable	120,593	-	120,593	-
Member liabilities	29,819,581	29,819,581	-	-
Total financial liabilities	30,125,248	29,940,532	186,545	(1,829)

12. Financial risk management (continued)

(c) Liquidity risk (continued)

As at 30 June 2020	Carrying Amount \$'000	Less than 1 month \$'000	1-6 months \$'000	>6 months \$'000
Financial liabilities				
Net settled derivatives	30,912	-	-	30,912
Unsettled investment accruals	25,880	25,880	-	-
Foreign exchange contracts	3,564	-	3,564	-
Other payables	24,053	-	24,053	-
Income tax payable	13,318	-	13,318	-
Member liabilities	15,432,292	15,432,292	-	-
Total financial liabilities	15,530,019	15,458,172	40,935	30,912

(d) Market risk

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is minimised through ensuring that all investments activities are undertaken in accordance with established mandate limits and investment strategies.

The Fund also enters into derivative transactions, principally fixed interest futures and foreign exchange contracts, to economically hedge against adverse price movements in the value of financial assets and mitigate market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund has set investment allocation ranges to meet its objectives of holding a balanced portfolio, including limits on investments in interest bearing assets, which are monitored regularly. The Fund may use derivatives to hedge against unexpected increases in interest rates.

Financial assets of the Fund exposed to interest rate risk are cash and cash equivalents and other interest-bearing securities. At 30 June, the fair value of financial assets exposed to interest rate risk were as follows:

	2021 \$'000	2020 \$'000
Investments		
Cash and short-term deposits	1,872,366	1,474,326
Other interest-bearing securities	2,275,570	2,226,622
	<u>4,147,936</u>	<u>3,700,948</u>

12. Financial risk management (continued)

(d) Market risk (continued)

The following table demonstrates the sensitivity of the Fund's statement of financial position and income statement to a change in the Reserve Bank of Australia's official cash interest rates and global interest rates, with all other variables held constant.

Currency	2021		2020	
	Change in basis points Increase / (decrease)	Sensitivity of interest income and changes on net assets \$'000 Increase / (decrease)	Change in basis points Increase / (decrease)	Sensitivity of interest income and changes on net assets \$'000 Increase / (decrease)
AUD	50 / (50)	(32,908) / 32,937	50 / (50)	(18,724) / 18,746
USD	50 / (50)	(228) / 228	50 / (50)	(3,078) / 3,078
GBP	50 / (50)	(7,049) / 7,049	50 / (50)	(4,626) / 4,626

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of significant investments held in the United States of America and Europe, the Fund's statement of financial position and income statement can be affected significantly by movements in USD, GBP and EUR when translated to AUD. The Fund manages its exposure to foreign currency risk and mitigates effects of its foreign currency translation exposure by adhering to the Fund mandate which limits the portion of the Fund's assets which can be invested in different currencies in addition to taking out foreign exchange contracts. This foreign exchange policy is monitored against actual on an ongoing basis throughout the year.

The Fund's exposure to currency risk was as follows:

	2021 \$'000	2020 \$'000
United States of America (USD)	2,293,542	1,652,696
European community (EUR)	246,465	223,531
Great Britain (GBP)	36,365	89,378
Japan (YEN)	48,348	45,801
Other currencies (OTH)	861,772	586,830
Total currency exposure	3,486,492	2,598,236

12. Financial risk management (continued)

(d) Market risk (continued)

The table below indicates the currencies to which the Fund has significant exposure at balance date on its monetary assets and liabilities and forecast cash flows. The analysis calculates the effect of a movement of global currency rates against the Australian Dollar on the statement of financial position and income statement, with all other variables held constant.

Currency	2021		2020	
	Change in currency rate %	Effect on net asset / Investment return \$'000	Change in currency rate %	Effect on net asset / Investment return \$'000
USD	10 / (10)	216,807 / (177,388)	10 / (10)	162,032 / (132,571)
EUR	10 / (10)	24,370 / (19,939)	10 / (10)	24,370 / (19,939)
GBP	10 / (10)	(3,921) / 3,208	10 / (10)	5,285 / (4,324)
YEN	10 / (10)	4,283 / (3,504)	10 / (10)	4,201 / (3,438)

Other price risk

Other 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 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 in the market. Price risk exposure arises from the Fund's investment portfolio.

Investments in the Fund that are exposed to other price risk include Australian and international equities and unlisted unit trusts.

To limit other price risk the Trustee diversifies its investment portfolio in line with the Fund's mandate and the strategic asset allocation of the options. The majority of the equity investments are of high quality and are publicly traded on recognised, reputable exchanges. The Trustee monitors the Fund's exposure to various indices on an ongoing basis throughout the year ensuring the mandate is not breached.

The effect on the statement of financial position due to reasonably possible changes in market factors, as represented by the volatility of change in the individual indices over the last 10 years, with all other variables held constant, is indicated in the table below.

12. Financial risk management (continued)

(d) Market risk (continued)

Index/benchmark	2021		2020	
	Change in investment price %	Effect on net asset / Investment return \$'000	Change in investment price %	Effect on net asset / Investment return \$'000
Australian and International Equities				
ASX 300	16 / (16)	1,204,241 / (1,204,241)	18 / (18)	599,755 / (599,755)
MSCI World ex Australia	14 / (14)	1,080,473 / (1,080,473)	16 / (16)	587,772 / (587,772)
Fixed Interest				
Bloomberg AusBond Composite Bond	4 / (4)	201,306 / (201,306)	5 / (5)	87,337 / (87,337)
Cash				
Bloomberg AusBond Bank Bill Index	0.5 / (0.5)	13,880 / (13,880)	1 / (1)	24,083 / (24,083)

Derivatives

The Fund enters into derivative transactions, principally fixed interest futures and forward foreign exchange contracts. The Trustee utilises derivatives in order to gain access to the financial markets and allow flexibility in order to manage and structure the Fund's investment portfolio in line with the Fund's investment strategy. Derivatives are not utilised in a speculative manner, therefore whenever derivative positions are created, cash or securities are held to cover any derivatives exposures.

Offsetting of derivatives

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the first three columns of the tables below

13. Fair value of financial instruments

Fair Value Measurement

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of the asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Classifications of Financial Instruments under the 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 fair value hierarchy has the following levels:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

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

13. Fair value of financial instruments (continued)

30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Cash and deposits	-	1,776,022	-	1,776,022
Derivatives	(2,122)	(83,157)	-	(85,279)
Listed equities	11,662,961	-	-	11,662,961
Listed property trusts, Listed unit trusts	941,067	-	-	941,067
Other interest-bearing securities	1	2,264,356	9,856	2,274,213
Unlisted equities	-	1,048,174	310,882	1,359,056
Unlisted unit trust	-	8,043,572	3,132,664	11,176,236
Unlisted partnership Annuity	-	22,450 1,566	1,236,157 -	1,258,607 1,566
Total investments	12,601,907	13,072,9830	4,689,559	30,364,449

30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Cash and deposits	-	1,474,326	-	1,474,326
Derivatives	34,797	18,726	-	53,523
Listed equities	6,028,390	5,958	641	6,034,989
Listed property trusts, Listed unit trusts	340,064	6,875	-	346,939
Other interest-bearing securities	142	2,223,262	3,218	2,226,622
Unlisted equities	3,662	427,881	209,684	641,227
Unlisted unit trust	-	3,439,001	1,348,084	4,787,085
Unlisted partnership Annuity	-	188,817 1,636	158,694 -	347,511 1,636
Total investments	6,407,055	7,786,482	1,720,321	15,913,858

13. Fair value of financial instruments (continued)

Valuation techniques

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Assets included within this level includes cash, listed equities, listed unit trusts and other interest-bearing securities.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Units in managed funds and property trusts:

Investments held in unlisted unit trusts are valued by reference to the price at the reporting date as advised by the investment managers. The Fund reviews the valuation methodology adopted by the relevant investment manager as part of initial due diligence stages of investment. The valuation provided by the manager is based on the market value of the underlying investments held in the unlisted trust.

Depending on the nature of the underlying trust assets and the level of trading in the trusts, the Fund classifies these funds as either Level 2 or Level 3.

Unlisted equities

Independent valuation reports are obtained for unlisted equities held directly by the Fund. Valuation reports are received at least annually. Transactions in such investments do not occur on a regular basis.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

13. Fair value of financial instruments (continued)

Private equity investments

The Fund uses a market-based valuation technique for these positions. The Fund's investment manager determines comparable public companies (peers) based on industry size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. The Fund classifies the fair value of these investments as Level 3.

Other interest-bearing securities and unlisted partnerships

As can be seen from the table above the Fund invests in debt securities including corporate and government bonds both directly, and indirectly via unlisted partnerships. In the absence of a quoted price in an active market, observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves are utilised. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Fund categorises these investments as Level 2.

Derivatives

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. For these financial instruments, significant input models are market observable and they are therefore included within Level 2.

Valuation process for Level 3 valuations

The Level 3 assets of the Fund are predominantly composed of investments in unlisted property and infrastructure trusts which are valued at the latest net asset value price received from the relevant fund manager up to 30 June 2021.

The balance of Level 3 assets of the Fund, are composed of underlying investments unlisted infrastructure assets. The fair value of these investments are based on recent independent valuations. Independent valuations are reviewed and approved by the Trustee's Investment Committee prior to the revaluation of an asset being included.

13. Fair value of financial instruments (continued)

Quantitative information of significant unobservable inputs – Level 3:

Description	\$000*	Valuation technique	Significant unobservable inputs	Discount Rate
Floating rate notes (Flinders Ports)	2021: 3,219 2020: 3,218	Face value [#]		
Unlisted equities	2021: 7,193 2020: 641	Last traded price		
Unlisted equities (Brisbane Airport)	2021: 79,648 2020: 76,684	Discounted cashflow method	Discount Rate	10.65% 9.20%
Unlisted equities (Flinders Ports)	2021: 145,218 2020: 128,000	Discounted cashflow method	Discount Rate	8.80% 8.75%
Unlisted unit trusts (Flinders Ports)	2021: 159,438 2020: 140,424	Discounted cashflow method	Discount Rate	8.80% 8.75%
Unlisted unit trusts	2021: 2,973,226 2020: 1,207,660	NAV		

Description	Input	Sensitivity used**	Effect on fair value \$000
Unlisted equities (Brisbane Airport)	Discount Rate	0.60%	3,771
Unlisted equities (Flinders Ports)	Discount Rate	0.50%	12,844
Unlisted unit trusts (Flinders Ports)	Discount Rate	0.50%	14,102

*The fair value of the asset would increase/decrease if the discount rate decreases/increases. The fair value of the asset would increase/decrease if the other inputs increase/decrease.

**The sensitivity analysis refers to a percentage amount added or deducted from the significant unobservable input and the effect this has on the fair value.

[#]The Fund has adopted a conservative approach in valuing this security at Face Value as it is anticipated to be held to maturity.

13. Fair value of financial instruments (continued)

(b) 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 end of the reporting periods.

	2021 \$'000	2020 \$'000
Opening balance	1,720,321	1,299,717
Total realised/unrealised gains and losses (Sales)/(Redemptions)	184,465	(101,162)
Transfers into Level 3	-	(58,169)
Transfer from MLMM	1,000	579,935
Closing balance	2,783,773	-
	4,689,559	1,720,321

(c) Transfers between Level 1 or 2 and Level 3

Investments of \$1 million were reclassified from Level 2 to Level 3 during the period (2020: \$579.935 million).

(d) Responsible Investment

The overall objective is to optimise the retirement income for members of the Fund.

The Trustee recognises that Environmental, Social and Governance (ESG) issues are factors which may influence whether this objective is met. The integration of ESG issues, and the application of Responsible Investment practices, into the management of the Fund's investment portfolios is consistent with the Trustee's overall investment beliefs. This approach will enhance the risk adjusted returns for the Fund's members over the long term.

The Trustee's primary focus is on optimising members' long-term investment returns, and hence, retirement outcomes. At the same time, the Trustee believes that the welfare of members in retirement will be influenced by the environmental and social aspects of the world in which they live. Accordingly, all other things being equal, there will be an inclination to favour investments which contribute to positive environmental and social outcomes and will be inclined to avoid investments which have the opposite impact.

The Trustee has a Responsible Investment Policy that outlines the Fund's commitment and approach to Responsible Investment. The Trustee believes, as stewards of the assets to which they have been entrusted, that excellence in investment governance enables value to be added to the Fund's member retirement outcomes.

The Trustee believes that climate change is a material systemic issue and presents foreseeable and actionable financial risks and opportunities for investors. As such, the Trustee needs to manage implications for the Fund on behalf of members.

13. Fair value of financial instruments (continued)

(d) Responsible Investment (continued)

The Trustee has a Climate Change Position Statement that outlines the approach to integrating climate change considerations into the Fund's investment strategy and other measures being taken to transition to a low carbon future - in accordance with the Paris Agreement. The integration of climate change investment risk and opportunities into investment decisions is required to shift the global economy and investment markets on to a more sustainable and resilient path and to enhance the Fund's members' interests through this transition. Climate change considerations and our commitments will be incorporated into the Fund's risk management process. As such the Trustee will seek to assess and understand the investment implications of climate change in its stewardship role in order to achieve sustainable long-term growth for members in their retirement. As part of the management of climate change the Trustee has adopted a target of net zero emissions by 2050.

14. Statement of cash flows

	2021	2020
	\$000	\$000
Cash and cash equivalents	62,094	55,078
Operating result after income tax	204,366	(338,190)
Adjustments for:		
Increase/(decrease) in payables	(1,022)	(1,612)
(Increase)/decrease in receivables	(253)	403
Increase/(decrease) in investment tax timing reserve	(34,941)	108,234
Depreciation	383	362
Contributions tax impacting reserves	(253)	(2,099)
DB Member funding movement	(151,324)	233,327
Self-insurance reserves movement	(765)	(162)
Net fee recovery from members	(91,508)	(82,758)
Insurance premiums paid	(29,845)	(30,608)
Death and disability benefits received	25,957	23,110
Annuity proceeds	149	150
Other income	212	780
Investments tax paid	(48,490)	32,148
Net cash flows from operating activities	(127,334)	(56,915)

15. Receivables

	2021	2020
	\$000	\$000
Unsettled investment sales	650,335	21,817
Investment income due and receivable	53,226	21,990
Employer fee receivables	156	139
Prepaid expenses	809	374
GST Receivable	723	258
Other Receivables	1,598	-
Total	<u>706,847</u>	<u>44,578</u>

16. Payables

	2021	2020
	\$000	\$000
Unsettled investment purchases	31,726	25,880
Accounts due and unpaid	31,763	19,206
Administration fee payable to Togethr Trustees Pty Ltd	4,581	4,847
Total	<u>68,070</u>	<u>49,933</u>

17. Commitments and contingent liabilities

(a) Capital commitments

The Fund has outstanding capital commitments in relation to uncalled capital amounts that are committed to various private equity and direct lending funds. Commitments contracted for at the reporting date but not recognised as liabilities are expected to be settled as follows:

	2021	2020
	\$000	\$000
Within one year	341,372	118,354
After one year but not later than five years	-	240,405
More than five years	-	-
	<u>341,372</u>	<u>358,759</u>

(b) Contingent liabilities

There are no contingent liabilities as at 30 June 2021 (2020: \$ Nil).

18. Auditor's remuneration

	2021 \$	2020 \$
Auditor's remuneration is paid by the Trustee company and reimbursed by the Fund on a cost recovery basis:		
Deloitte	201,930	157,500
- Audit of the Fund		
Total Auditor's Remuneration	<u>201,930</u>	<u>157,500</u>

19. Events subsequent to balance sheet date

There are no matters or circumstances that have arisen since the end of the financial year, which 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 subsequent financial years except as may be stated elsewhere in the financial statements.

TRUSTEE DECLARATION FOR THE YEAR ENDED 30 JUNE 2021

In the opinion of the Trustee of Equipsuper Fund:

1. The accompanying financial statements of the Equipsuper Fund are properly drawn up so as to present fairly the financial position of the Fund as at 30 June 2021 and the results of its operation for the year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia; and
2. The operation of the Fund has been carried out in accordance with its Rules and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993, Regulations and the Corporations Act 2001 and regulations and Guidelines during the year.

Signed in accordance with a resolution of the Board of Directors of Togethr Trustees Pty Ltd.



.....
D.G. Casey
Chair



.....
M.N. Cerche
Director

Melbourne
23 September 2021

Equisuper Superannuation Fund (ABN 33 813 823 017) Report by the RSE Auditor to the trustee and members

Opinion

We have audited the financial statements of Equisuper Superannuation Fund for the year ended 30 June 2021 as set out on pages 2 to 40 attached.

In our opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Equisuper Superannuation Fund as at 30 June 2021 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2021.

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 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 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.



DELOITTE TOUCHE TOHMATSU



Fiona O'Keefe
Partner
Chartered Accountants

Melbourne, 23 September 2021