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# Equisuper Pty Ltd

ABN 64 006 964 049

## Financial Statements

For the year ended 30 June 2017

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The financial statements are presented in Australian currency.

Equisuper Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Equisuper Pty Ltd  
Level 12, 330 Collins Street  
Melbourne VIC 3000.

A description of the entity's principal activities is included in the Directors' Report on page 2 which is not part of the financial statements.

The financial statements were authorised for issue by the Directors on 27 September 2017. The Directors have the power to amend and reissue the financial statements.

## Directors' Report

The Directors present their report on Equipsuper Pty Ltd (ABN 64 006 964 049) for the financial year ended 30 June 2017.

### Directors

The names of the Directors in office at any time during or since the end of the financial year are:

A.E.J. Fairley  
J. Azaris  
M.J. Clinch  
J.C. Dekker  
S.L. Jericevic (Retired 30 April 2017)  
R.C. Jervis-Read (Retired 30 June 2017)  
P. Leary  
A.J. Pickering (Retired 30 April 2017)  
J. Simon  
J.S. Hickey (Appointed 1 July 2017)  
M.N. Cerche (Appointed 1 July 2017)  
W.E. Walker (Appointed 1 July 2017)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Principal Activities

The principal activity of Equipsuper Pty Ltd (the Trustee company) during the year was acting as the not-for-profit Trustee of Equipsuper Superannuation Fund (the Fund). In that capacity, the Trustee company is entitled by the trust deed (which constituted the Fund) to recover the costs and expenses of the operation, management, administration and investment of the Fund. However, the trust deed specifically provides that the Trustee is not entitled to receive from the Fund any commission or other remuneration in respect of the office of Trustee. The Trustee company obtained an extended public offer licence from the regulators permitting the company to be Trustee of multiple funds. However, it did not act as the Trustee of any other funds during the year. There was no change in the nature of the principal activities of the Trustee company during the financial year.

### Shareholding Arrangements

On 1 July 2016 all 3 shares in the Trustee company held by the Chair (on trust for the participating employers) were transferred to Equipsuper Financial Holdings Pty Ltd (EFHPL) as part of the corporate restructure of the Trustee. In consideration of the transfer, EFHPL issued 3 shares at \$13,757 each to the Chair (on trust for the participating employers). No options over issued shares or interests in the Trustee company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

## **Directors' Report (continued)**

### **Operating Results**

The operating result for the financial year after providing for income tax amounted to a net loss of \$16,701 (2016: loss of \$14,327).

### **Significant changes in the state of affairs**

No significant changes in the Trustee company's state of affairs occurred during the financial year.

### **Dividends**

No dividend has been paid or declared since the previous financial statements and the Directors do not recommend the declaration of a dividend (2016: NIL).

### **Indemnification and Insurance of Officers and Auditors**

No indemnities have been given during or since the end of the financial year, for any person who is or has been an officer or auditor of the Trustee company, other than the general indemnity under article 104 of the Articles of Association for the positions of Director, Company Secretary and other officers of the Trustee company. (No indemnities were given during the 2016 financial year other than the general indemnity under Article 104).

The Trustee company has paid a Trustee Indemnity Insurance premium during the financial year.

### **Events Subsequent to Reporting Date**

On 1 July 2017 the Rio Tinto Staff Superannuation Fund (RTSSF) merged with Equisuper under a successor fund transfer (SFT) deed. RTSSF transferred in \$5,564,113,000 in assets and 28,671 members composed of 366 Defined Benefit (DB), 27,195 Accumulation and 1,110 Pension members. The \$14 billion merged fund provides scale and resources to continue its investment in industry-leading products and services, and to provide better outcomes for members with reduced fees and costs over time.

The SFT deed requires the transfer to the Rio Tinto DB Employer Benefit Account (EBA) a sum of \$4,968,783 from the Administration and General Purpose Reserve. This is to replenish the EBA for its previous funding of the RTSSF Operational Risk Reserve and is to be transferred by the 31 December 2018.

The Trustee was granted a MySuper licence for the product, RT Growth (MySuper), by APRA on 29 June 2017. However, the Trustee did not offer the product until 1 July 2017 and there were no members or assets until this date.

The Directors are not aware of any other matters or circumstances that have arisen since the end of the financial year, which significantly affected or may significantly affect the operation of the Trustee company, the result of those operations or the state of affairs of the Trustee company in subsequent financial years except as may be stated elsewhere in the financial statements.

## **Directors' Report (continued)**

### **Likely Developments**

The Directors have no likely developments to report except as may be stated elsewhere in this report or in the financial statements. Further information on likely developments in the operations of the Trustee company and the expected results of operations have not been included in the annual financial statements because the Directors believe it would be likely to result in unreasonable prejudice to the Trustee company.

### **Environmental Issues**

The Trustee company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory.

## Directors' Report (continued)

### Directors' Meetings

Sections 300(10)(b) and (c) of the Corporations Act (2001) require public companies that are not wholly-owned subsidiaries of another company to include details of the number of Board and Board Committee meetings held during the year and each Director's attendance at those meetings.

Equisuper Pty Ltd is not a public company but the Directors have adopted the policy of disclosing similar details as a matter of good corporate governance.

The number of Board and Committee meetings attended by each of the Directors during the financial year ended 30 June 2017 was:

	Board		Investment Committee		Appeals and Review Committee		Audit, Risk and Compliance Committee		Governance and Rewards Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Number of meetings during year										
A E J Fairley	9	9	1	1	-	-	-	-	4	4
J Azaris	9	9	-	-	3	2	5	4	-	-
M J Clinch	9	8	-	-	3	1	-	-	4	2
J C Dekker	9	9	5	5	-	-	5	5	-	-
S L Jericevic	7	7	4	4	-	-	4	4	-	-
R C Jervis-Read	9	9	-	-	3	3	5	5	-	-
P Leary	9	8	-	-	3	3	-	-	4	4
A J Pickering	7	6	4	4	-	-	-	-	3	3
J Simon	9	8	5	5	-	-	-	-	4	4

Directors also occasionally do attend Committee meetings of which they are not a member as an observer. These attendances are not reflected in the above table.

### Legend in the table

- "Held" means the number of meetings held while the Director was a member of the Board or Committee.
- "Attended" means the number of meetings attended while the Director was a member of the Board or Committee.

## Directors' Report (continued)

### Directors' Meetings (continued)

#### Chair of the Board and Committees

- Mr A.E.J. Fairley was elected as Independent Director, became Chair of the Board on 1 January 2009.
- Mr J. Azaris has been the Chair of the Audit, Risk and Compliance Committee since 1 June 2010.
- Mr M.J. Clinch has been the Chair of the Governance and Rewards Committee from 1 May 2017 to 30 June 2017.
- Ms P. Leary has been the Chair of the Appeals and Review Committee since 1 April 2016.
- Mr A.J. Pickering has been the Chair of the Investment Committee from 1 June 2010 to 30 April 2017.
- Ms J. Simon has been the Chair of the Investment Committee since 1 May 2017 and Chair of the Governance and Rewards Committee from 1 April 2016 to 30 April 2017.
- The Finance Committee was dissolved on 11 August 2016 (by Board resolution on 11 August 2016), and held no meetings during the period 1 July 2016 to 11 August 2016.

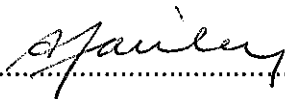
#### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

#### Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors.



.....  
**A.E.J. Fairley**  
Chair



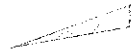
.....  
**J. Azaris**  
Director

Melbourne  
27 September 2017

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## Auditor's Independence Declaration





Building a better  
working world

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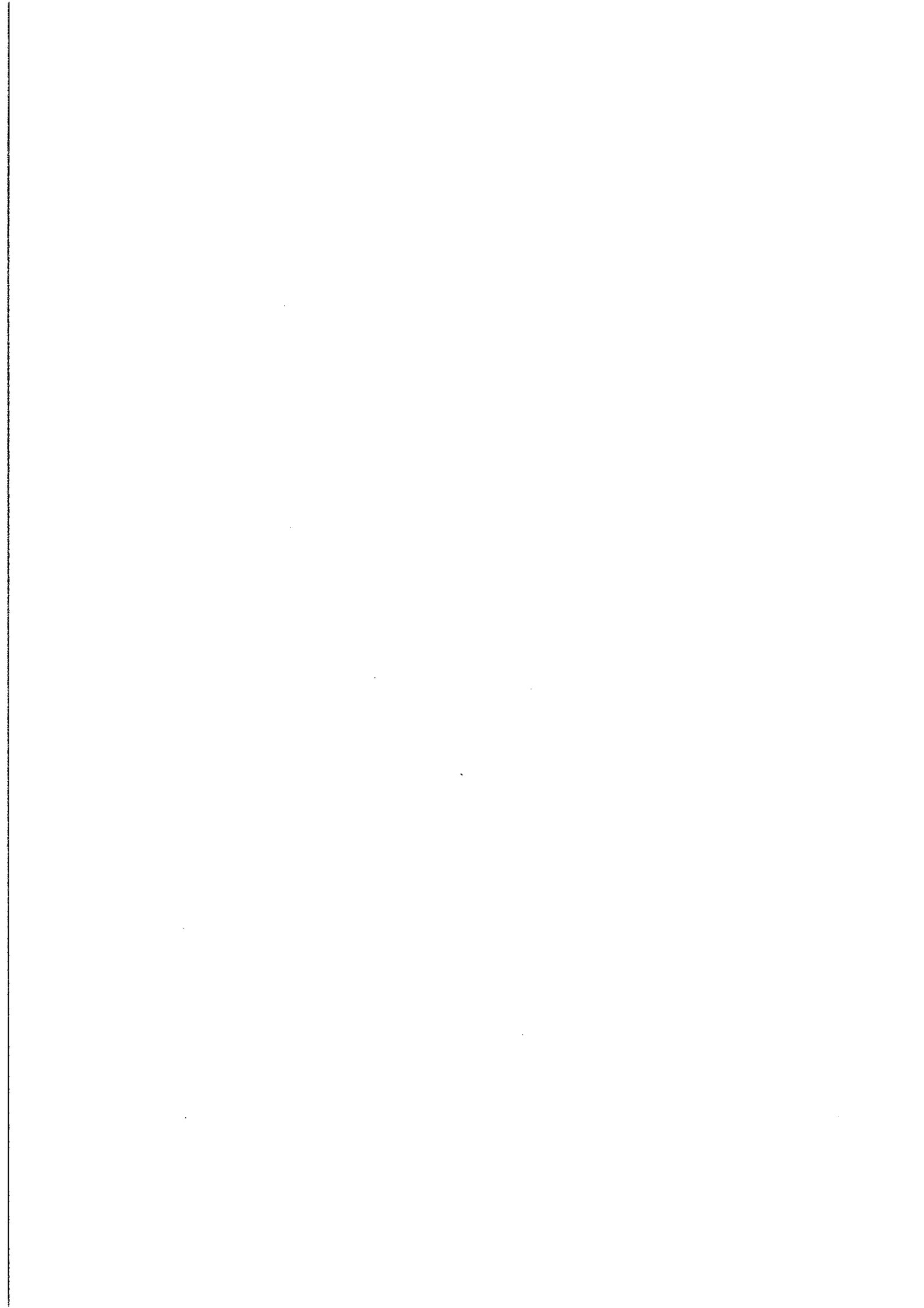
## Auditor's Independence Declaration to the Directors of Equisuper Pty Ltd

As lead auditor for the audit of Equisuper Pty Ltd for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Brett Kallio  
Partner  
Melbourne  
27 September 2017



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$	2016 \$
<b>Revenue from continuing operations</b>	2	27,119,390	28,752,958
<b>Expenses</b>			
Employee and Directors' expenses		(10,198,477)	(10,178,409)
External administration costs		(9,436,547)	(10,261,854)
Consultants' fees	2	(3,672,022)	(4,186,043)
Communication		(1,338,512)	(1,719,164)
Audit fees	2	(194,856)	(155,530)
Depreciation expense – plant and equipment		(17,413)	(25,423)
Leasehold expenses		(581,377)	(407,122)
Other expenses	2	<u>(1,675,929)</u>	<u>(1,816,199)</u>
<b>Total expenses</b>		<u>(27,115,133)</u>	<u>(28,749,744)</u>
<b>Profit before income tax</b>		4,257	3,214
Income tax expense	6	<u>(20,958)</u>	<u>(17,541)</u>
<b>Net profit / (loss) for the year</b>		(16,701)	(14,327)
<b>Other comprehensive income</b>		-	-
Income tax expense on items of other comprehensive income		-	-
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive income for the year</b>		<u>(16,701)</u>	<u>(14,327)</u>

The above statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 12 to 31.

## BALANCE SHEET AS AT 30 JUNE 2017

	Notes	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9(b)	109,721	177,139
Trade and other receivables	3	4,478,136	6,007,980
Prepayments		410,116	474,675
Income tax refund	6	5,890	5,351
<b>TOTAL CURRENT ASSETS</b>		<u>5,003,863</u>	<u>6,665,145</u>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	7	40,943	58,356
Deferred tax asset	6	1,268,404	1,514,959
<b>TOTAL NON-CURRENT ASSETS</b>		<u>1,309,347</u>	<u>1,573,315</u>
<b>TOTAL ASSETS</b>		<u>6,313,210</u>	<u>8,238,460</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	4	1,677,114	2,571,462
Provisions for employee benefits	5(a)	3,678,639	4,014,981
<b>TOTAL CURRENT LIABILITIES</b>		<u>5,355,753</u>	<u>6,586,443</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	6	832,578	1,058,174
Provisions for employee benefits	5(b)	114,635	566,898
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>947,213</u>	<u>1,625,072</u>
<b>TOTAL LIABILITIES</b>		<u>6,302,966</u>	<u>8,211,515</u>
<b>NET ASSETS</b>		<u>10,244</u>	<u>26,945</u>
<b>EQUITY</b>			
Contributed equity	10	3	3
Retained profits		10,241	26,942
<b>TOTAL EQUITY</b>		<u>10,244</u>	<u>26,945</u>

The above balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 12 to 31.

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Total equity at the beginning of financial year</b>	26,945	41,272
Profit / (Loss) for the year	(16,701)	(14,327)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	(16,701)	(14,327)
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year</b>	<b>10,244</b>	<b>26,945</b>

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 12 to 31.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Equipsuper Fund and other parties		28,692,041	27,810,304
Payments to suppliers and employees		(28,780,673)	(28,126,518)
Interest received		21,753	47,290
Income tax (paid) / received		(539)	315,172
<b>Net cash flows from operating activities</b>	9(a)	(67,418)	46,248
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for plant and equipment		-	-
<b>Net cash flows used in investing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		(67,418)	46,248
<b>Cash and cash equivalents at beginning of year</b>		177,139	130,891
<b>Cash and cash equivalents at end of year</b>	9(b)	109,721	177,139

The above statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 31.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (1) Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

##### *Compliance with IFRS*

These financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### *Historical cost convention*

These financial statements have been prepared on an accrual basis and in accordance with the historical cost convention.

##### *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trustee company's accounting policies. No higher degrees of judgement or complexity, or significant assumptions and estimates have been made to the financial statements.

#### (b) Provisions for Employee Benefits

Provision is made for the Trustee company's liability for annual leave and long service leave arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. A liability is recognised for the amount expected to be paid as a cash incentive payment under short-term and long-term incentive plans if the company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (1) Significant Accounting Policies (continued)

#### (c) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (d) Revenue

Costs incurred by the Trustee company in the administration and internal investment management of the Fund are recovered or recoverable from the Fund and recognised as revenue in the Statement of Comprehensive Income upon the delivery of the service. The service fees received by the Trustee company from Equisuper Financial Planning Pty Ltd (EFP) are also recognised as revenue in the Statement of Comprehensive Income upon the delivery of the service. Interest revenue is recognised as it accrues, using the effective interest method.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (1) Significant Accounting Policies (continued)

#### (e) Plant and Equipment

Plant and equipment are carried at cost less any accumulated depreciation and impairment losses (refer Note 1(i) Impairment). The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount of those assets. The depreciable amount of all plant and equipment is depreciated over the useful life to the Trustee company on a reducing value basis commencing from when the asset is held ready for use.

The depreciation rates for plant and equipment are as follows:

- Computer equipment 40%
- Office furniture and equipment 9% to 40%

#### (f) Leased Assets

Leases of assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Trustee company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated over their estimated useful lives where it is likely that the Trustee company will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. The Trustee company does not currently have any assets under finance leases.

Lease payments under operating leases, where substantially all the risk and the benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

#### (g) Comparative Figures

Where required, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### (h) Goods and Services Tax

Revenues, expenses and assets of the Trustee company are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are stated with the amount of GST included. The amount of GST recoverable from, or payable to, the ATO, is included as a current asset or liability in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of the cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### **(1) Significant Accounting Policies (continued)**

#### **(i) Impairment**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

#### **(j) Cash and Cash Equivalents**

For the statement of cash flows presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

#### **(k) Trade and other receivables**

Receivables are carried at amounts due and on normal commercial terms. The carrying amount of trade and other receivables approximates fair value.

#### **(l) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Trustee company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **(m) Retirement Benefit Obligations**

The Trustee company has adopted "Choice of fund" for superannuation entitlements and contributes to Equipsuper or other regulated superannuation funds for its employees. Permanent employees, Directors and Contractors in the Accumulation Division or who are members of other regulated funds can contribute at any level while the Trustee company contributes at a rate of 9.5 percent (2016: 9.5 percent) to satisfy its obligations under the Superannuation Guarantee (Administration) Act 1992.

Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (1) Significant Accounting Policies (continued)

#### (n) New accounting standards and interpretations

##### *New accounting standards and interpretations (not adopted)*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The Directors' assessment of the impact of these new standards and interpretations is set out below:

##### (i) AASB 9 Financial Instruments (effective 1 January 2018)

AASB 9 (December 2014) is a new standard which replaces AASB 139. It addresses the classification, measurement and derecognition of financial assets and financial liabilities. Also, it introduced revised rules around hedge accounting and impairment.

The standard is not applicable until 1 January 2018 but is available for early adoption. The Trustee company has decided against the early adoption of AASB 9 and management does not believe that their early adoption would materially improve the disclosures in this year's financial statements.

Management does not expect this will have a significant impact on the Trustee company's financial statements as financial instruments are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the company does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the company's investments are held at fair value through profit or loss, the change in impairment rules will not impact the company.

##### *New accounting standards and interpretations (adopted)*

There are no new accounting standards that are effective and applied for the first time in the current financial year.

There are no other standards which are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
<b>(2) Revenue and Expenses</b>		
<b>Revenue</b>		
Administration fees – Equisuper Fund	26,994,409	28,563,102
Service Fees Received – Equisuper Financial Planning Pty Ltd	-	39,000
Interest received or due and receivable - Other parties	21,753	47,290
	<u>27,016,162</u>	<u>28,649,392</u>
<b>Other Income</b>		
Other sundry income	103,228	103,566
	<u>27,119,390</u>	<u>28,752,958</u>
<b>Expenses</b>		
<b>Consultants' Fees</b>	<u>3,672,022</u>	<u>4,186,043</u>
Consulting fees for the year are on several projects which will lead to an improvement in member services. These projects involved website development, implementation of the corporate restructure and the transfer in of the Rio Tinto Staff Superannuation Fund under a successor fund transfer deed.		
<b>Other Expenses</b>		
ASIC and APRA charges	4,844	5,484
Bank charges	14,968	8,122
Computer support	360,149	307,021
Entertainment	53,472	59,132
Loss on disposal of plant and equipment	-	4,256
Office operating expenses	80,743	77,777
Postage	16,844	19,705
Photocopier	52,501	50,521
Record keeping	27,848	24,828
Service Fees Paid – Equisuper Financial Holdings Pty Ltd	-	100,000
Subscriptions and memberships	169,968	140,801
Sundry expenses	69,143	52,417
Telephone and fax	80,449	103,492
Travel and accommodation	483,932	539,923
Trustee indemnity insurance	261,068	322,720
	<u>1,675,929</u>	<u>1,816,199</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
<b>(2) Revenue and Expenses (continued)</b>	<b>\$</b>	<b>\$</b>
<b>Auditor's Remuneration</b>		
Audit Fees:		
Ernst & Young:		
The Trustee Company	43,466	38,110
The Fund	138,390	105,575
The Fund - other assurance services	13,000	11,845
Total Auditor's Remuneration	<u>194,856</u>	<u>155,530</u>
<b>(3) Trade and Other Receivables</b>		
Administration fees	4,294,000	5,846,142
Other sundry debtors	62,722	35,750
Goods and services tax	121,414	126,088
	<u>4,478,136</u>	<u>6,007,980</u>
<b>(4) Trade and Other Payables</b>		
Payables	<u>1,677,114</u>	<u>2,571,462</u>
	1,677,114	2,571,462
<b>(5) Provisions for Employee Benefits</b>		
<b>(a) Current</b>		
Provision for annual leave	380,784	416,197
Provision for long service leave	630,831	440,341
Provision for incentive scheme	2,667,024	3,158,443
	<u>3,678,639</u>	<u>4,014,981</u>
<b>(b) Non-Current</b>		
Provision for long service leave	114,635	76,329
Provision for incentive scheme	-	490,569
	<u>114,635</u>	<u>566,898</u>
Aggregate employee benefits	<u>3,793,274</u>	<u>4,581,879</u>
Number of employees at year end	50	52

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (6) Income Tax Expense

	2017	2016
	\$	\$
<b><u>Income Tax (Expense) / Credit</u></b>		
Deferred income tax (expense) / credit	(20,958)	(17,541)
<b>Income tax (expense) / credit reported in the Statement of Comprehensive Income</b>	<b>(20,958)</b>	<b>(17,541)</b>

**A reconciliation of income tax expense with the prima facie tax payable calculated at 30% on the net change for the year is as follows:**

Profit / (loss) before income tax	4,257	3,214
Prima facie tax payable calculated at 30% (2016: 30%) on the profit / (loss) before income tax	(1,277)	(964)
<b>Increase in income tax expense due to:</b>		
Non-deductible expenses	(19,681)	(16,577)
<b>Income Tax (Expense) / Credit</b>	<b>(20,958)</b>	<b>(17,541)</b>

### **Income Tax Refund**

Balance at the beginning of the year	5,351	320,523
Income tax refund received - prior year	(5,351)	(320,523)
Income tax paid - current year	5,890	5,351
Balance at the end of the year	5,890	5,351

### **Deferred Tax Asset**

Provision for employee benefits:		
- Provision for long service leave	223,639	155,001
- Provision for annual leave	114,235	124,858
- Provision for incentive scheme	800,107	1,094,704
Accrued expenses	26,087	73,596
Tax losses carried forward	104,336	66,800
	1,268,404	1,514,959

### **Deferred Tax Liabilities**

Accrued income	831,000	1,056,000
Depreciating assets and other capital allowances	1,578	2,174
	832,578	1,058,174

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (7) Plant and Equipment

	2017	2016
	\$	\$
Office furniture and equipment at cost	72,040	72,040
Less accumulated depreciation	(59,467)	(56,772)
	12,573	15,268
Computer equipment at cost	553,671	553,671
Less accumulated depreciation	(525,301)	(510,583)
	28,370	43,088
Total plant and equipment	40,943	58,356

### Reconciliation in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year.

	Office Furniture and Equipment	Computer Equipment	Total
	\$	\$	\$
Carrying amount at the beginning of the year	15,268	43,088	58,356
Disposals	-	-	-
Depreciation and amortisation expense	(2,695)	(14,718)	(17,413)
Carrying amount at the end of the year	12,573	28,370	40,943

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### **(8) Related Parties**

In accordance with the Fund Rules, the Trustee company acts as Trustee of the Fund.

#### **(a) Directors**

The names of the Directors of the Trustee company in office at any time during or since the end of the financial year and up to the date of signing these financial statements are:

A.E.J. Fairley  
J. Azaris  
M.J. Clinch  
J.C. Dekker  
S.L. Jericevic (Retired 30 April 2017)  
R.C. Jervis-Read (Retired 30 June 2017)  
P. Leary  
A.J. Pickering (Retired 30 April 2017)  
J. Simon  
J.S. Hickey (Appointed 1 July 2017)  
M.N. Cerche (Appointed 1 July 2017)  
W.E. Walker (Appointed 1 July 2017)

Key Management Personnel during the financial year were:

N. Vamvakas (Chief Executive Officer - Acting since 30 June 2016, formally appointed 1 July 2017 and Executive Officer, Risk)  
G.R. Brooks (Executive Officer, Strategic Marketing and Communications)  
J.M. Farrington (Executive Officer, Corporate Relationships)  
S.J. Guthleben (Executive Officer, People, Culture and Process)  
T. Rieck (Executive Officer, Investment Strategy - appointed 15 July 2016)  
J.J. Sadler (Executive Officer, Member Relationships)  
M.G. Strachan (Chief Investment Officer - resigned 15 July 2016).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (8) Related Parties (continued)

#### (b) Compensation of Directors and Key Management Personnel

Directors and Key Management Personnel compensation is paid by the Trustee company. In connection with the management of the Fund, the Directors and Key Management Personnel received no remuneration directly from the Fund or sponsoring employers.

Directors and Key Management Personnel compensation for the years ended 30 June is set out below:

	2017	2016
	\$	\$
Short-term benefits	2,584,788	3,788,134
Post-employment benefits	182,896	225,645
Other long-term benefits	228,022	358,260
Termination benefits	644,259	-
<b>Total</b>	<b><u>3,639,965</u></b>	<b><u>4,372,039</u></b>

#### Remuneration of Directors for the year ended 30 June

Director	2017 Total remuneration (including superannuation)	2016 Total remuneration (including superannuation)
A.E.J. Fairley	143,744	141,899
J. Azaris	83,850	82,774
B.G. Beeren (Retired 31 March 2016)	-	57,372
M.J.Clinch (Appointed 1 April 2016)	71,872	17,737
J.C. Dekker (Appointed 1 April 2016)	71,872	17,737
G.N. Hade (Retired 31 March 2016)	-	57,647
S.L. Jericevic (Appointed 1 April 2016)	59,893	17,737
R.C. Jarvis-Read	71,872	75,229
P. Leary (Appointed 17 July 2015)	77,653	69,292
A.J. Pickering	74,867	88,687
J. Simon	77,861	72,428
T. M. Swingler (Retired 31 March 2016)	-	53,214
<b>Total Directors</b>	<b>733,484</b>	<b>751,753</b>

- Remuneration for Directors represents the total amount of fees paid and superannuation.
- Directors do not receive any short-term incentive payments, long-term incentive payments, or post-directorship benefits.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (8) Related Parties (continued)

#### (b) Compensation of Directors and Key Management Personnel (continued)

Remuneration of Key Management Personnel for the year ended 30 June:

Executive	2017 Salary (including super- annuation)	2017 Incentive payment	2017 Total remuneration (including super- annuation)	2016 Salary (including super- annuation)	2016 Incentive payment	2016 Total remuneration (including super- annuation)
N. Vamvakas	305,452	72,915	<b>378,367</b>	243,050	54,682	<b>297,732</b>
D.F. Press*	-	-	-	453,266	502,151	<b>955,417</b>
G.R. Brooks	213,377	105,509	<b>318,886</b>	205,171	81,613	<b>286,784</b>
J.M. Farrington	247,996	119,041	<b>367,037</b>	244,313	109,721	<b>354,034</b>
S.J Guthleben	197,374	104,491	<b>301,865</b>	197,374	83,084	<b>280,458</b>
P.M. Marshall**	-	-	-	184,261	59,996	<b>244,257</b>
T. Rieck	298,395	75,000	<b>373,395</b>	250,000	-	<b>250,000</b>
J.J. Sadler	253,772	118,187	<b>371,959</b>	244,458	120,220	<b>364,678</b>
M.G Strachan***	794,972	-	<b>794,972</b>	409,007	177,919	<b>586,926</b>
<b>Total Executives</b>	<b>2,311,338</b>	<b>595,143</b>	<b>2,906,481</b>	<b>2,430,900</b>	<b>1,189,386</b>	<b>3,620,286</b>
<b>Total Directors and Executives</b>	<b>3,044,822</b>	<b>595,143</b>	<b>3,639,965</b>	<b>3,182,653</b>	<b>1,189,386</b>	<b>4,372,039</b>

- \*The Executive ceased employment on 30 June 2016. The remuneration included annual leave entitlements.
- \*\* The Executive ceased employment on 30 December 2015. The remuneration included long service leave entitlements.
- \*\*\*The Executive ceased employment on 15 July 2016. The remuneration included annual leave and long service leave entitlements and termination benefits.
- Remuneration for Key Management Personnel includes salary, short-term incentive payments for the reported year and any long-term incentive payments that vested during the reporting year.

The Trustee company's remuneration policy sets out the remuneration philosophy, principles and governance on executive remuneration which is designed to attract, motivate and retain high performing individuals and align the interests of stakeholders. Executive remuneration is set by reference to external benchmark data based on comparable roles in other financial services organisations and is market competitive. Incentives are based on sustainable performance that reflects the Fund's strategic priorities, business goals and objectives. It is also based on both financial and non-financial key performance indicators, supports the Fund's risk management objectives and does not reward excessive risk taking. Some Directors are members of the Fund. They 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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (8) Related Parties (continued)

#### (c) Related Party Transactions

Investment management and Fund administration fees are incurred by the Trustee company and reimbursed by the Fund on a cost recovery basis. The fees received as a reimbursement by the Trustee Company from the Fund during the year were \$26,994,409 (2016: \$28,563,102). The amounts due and receivable at balance date were \$4,294,000 (2016 \$5,846,142).

The Fund has transferred monies to the Trustee company to meet Australian Prudential Regulation Authority Registrable Superannuation Entity Licensing conditions. The monies are held in a term deposit and must be returned to the Fund if the Trustee company is wound up. The amount at balance date was \$100,000 (2016: \$100,000).

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

The Trustee company provides administration and infrastructure support services to Equisuper Financial Planning Pty Ltd. From the start of the financial year 1 July 2015 to 1 May 2016, all shares in Equisuper Financial Planning Pty Ltd were held by National Nominees Limited as nominee for Equisuper Pty Ltd as Trustee for the Equisuper Superannuation Fund. All shares in the company were transferred to a newly formed holding company Equisuper Financial Holdings Pty Ltd on 2 May 2016 for \$100,000 as part of the corporate restructure of the Fund's Trustee company Equisuper Pty Ltd, which became effective on 1 July 2016.

The service fees received by the Trustee company from Equisuper Financial Planning Pty Ltd during the year were \$0 (2016: \$39,000). The amounts due and receivable at balance date were \$0 (2016: \$NIL). The Financial Services Agreement between the Trustee company and Equisuper Financial Planning Pty Ltd was replaced by the Inter-Company Services Agreement in April 2016 which was executed by Equisuper Financial Holdings Pty Ltd, Equisuper Pty Ltd, Equisuper Asset Management Pty Ltd and Equisuper Financial Planning Pty Ltd to provide services and resources to each other. Service fees paid by the Trustee company to Equisuper Financial Holdings Pty Ltd during the year were \$0 (2016: \$100,000).

#### *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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (8) Related Parties (continued)

#### (d) Trustee's Responsibility for Liabilities of Equisuper and Right of Indemnity (continued)

These financial statements have been prepared for the Trustee company and, as such, do not record assets and liabilities of the Fund. The Trustee will only be liable for the liabilities of the Fund if it has committed a breach of its fiduciary duties or if the Fund has insufficient assets to meet its non-benefit liabilities. In the opinion of the Directors, there has been no breach of fiduciary duties of the Trustee company in its capacity as Trustee. At balance date, the assets of the Fund are sufficient to meet expenses incurred by the Trustee company and the Trustee company has an indemnity from the Fund to meet all costs and expenses of the Trustee company as and when they fall due.

A summary is included of the total assets and liabilities of the Fund. This information is not reflected in the Trustee company's financial statements:

	Total assets \$ M	Total liabilities excluding member liabilities \$ M	Total member liabilities \$ M	Total net assets \$ M
Equisuper – 2017	8,398	(198)	(7,737)	463
Equisuper – 2016	7,642	(160)	(7,073)	409

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
<b>(9) Statement of Cash Flows Information</b>		
<b>(a) Reconciliation of cash flow from operations with profit / (loss) from ordinary activities after income tax</b>		
Profit / (loss) from ordinary activities after income tax	(16,701)	(14,327)
Non-cash items in profit / (loss) from ordinary activities		
Depreciation	17,413	25,423
Loss on disposal of plant and equipment	-	4,257
Changes in assets and liabilities		
(Increase) / decrease in Receivables	1,529,844	(852,026)
(Increase) / decrease in Prepayments	64,559	(43,338)
(Increase) / decrease in Income tax refund	(539)	315,172
Increase / (decrease) in Deferred income tax	20,959	17,541
Increase / (decrease) in Payables	(894,348)	1,107,834
Increase / (decrease) in Provisions for employee benefits	(788,605)	(514,288)
Cash flows from operations	(67,418)	46,248

### (b) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in at-call deposits with banks or financial institutions. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Cash at bank	9,721	77,139
Term deposit	100,000	100,000
Total	109,721	177,139

### (10) Contributed Equity

	2017	2016
	Number of Shares	Number of Shares
Ordinary shares	3	3

On 1 July 2016 all 3 shares in the Trustee company held by the Chair (on trust for the participating employers) were transferred to Equisuper Financial Holdings Pty Ltd (EFHPL) as part of the corporate restructure of the Trustee.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
<b>(11) Commitments</b>	<b>\$</b>	<b>\$</b>
<b>Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements are payable as follows:		
- not later than one year	492,216	458,523
- later than one year but not later than five years	984,432	1,454,808
- later than five years	-	-
<b>Total</b>	<b>1,476,648</b>	<b>1,913,331</b>

On 8 July 2013 the Trustee relocated its offices to a new premise at Level 12, 330 Collins Street, Melbourne under a non-cancellable operating lease expiring on 30 April 2020. On 1 February 2013 the Trustee entered into an agreement with the National Australia Bank Limited to guarantee the sum of \$566,181 to the lessor to secure the Trustees obligations as tenant under the lease, terminating on 1 May 2020.

### (12) Segment Reporting

The Trustee company acts as the Trustee of the Fund. The Trustee company comprises a single business segment, being the investment of assets and the administration of the Fund. The Trustee company operates predominately in a single geographical segment, the state of Victoria, Australia.

### (13) Contingent Liabilities

The Directors are not aware of any material contingent liabilities of the Trustee company, which have not been provided for in the financial statements.

### (14) Economic Dependence

The Trustee company acts as the Trustee of the Fund. Its continuing operations depend on payments from the Fund for the Trustee company's services. There are no reasons to doubt the continuing operations of the Trustee company or the Fund and its payments to the Trustee company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (15) Financial Instruments

The Trustee company's exposure through its financial instruments, is to interest rate risk and credit risk on its cash and cash equivalent holdings.

The Trustee company is required to hold a deposit of \$100,000 as part of its APRA RSE licensing conditions. This deposit is held on a 12 month rolling term basis. All other cash balances are managed through the Trustee company's operating bank account on a daily basis to meet operating expenses.

#### (a) Interest Rate Risk

The Trustee company's exposure to interest rate movements on its cash balances as at 30 June 2017 was as follows:

**30 June 2017**

	<b>Floating interest rate</b>	<b>One year or less</b>	<b>Over one to five years</b>	<b>More than five years</b>	<b>Non interest bearing</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>						
Cash	-	109,721	-	-	-	109,721
Receivables	-	-	-	-	4,894,141	4,894,141
<b>Total Financial Assets</b>	-	109,721	-	-	4,894,141	5,003,862
<b>Financial Liabilities</b>						
Accounts payable	-	-	-	-	1,677,114	1,677,114
<b>Total Financial Liabilities</b>	-	-	-	-	1,677,114	1,677,114

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (15) Financial Instruments (continued)

#### (a) Interest Rate Risk (continued)

30 June 2016

	Floating interest rate \$	One year or less \$	Over One to five years \$	More than five years \$	Non interest bearing \$	Total \$
<b>Financial Assets</b>						
Cash	-	177,139	-	-	-	177,139
Receivables	-	-	-	-	6,488,006	6,488,006
<b>Total Financial Assets</b>	-	177,139	-	-	6,480,006	6,665,145
<b>Financial Liabilities</b>						
Accounts payable	-	-	-	-	2,571,462	2,571,462
<b>Total Financial Liabilities</b>	-	-	-	-	2,571,462	2,571,462

#### (b) Credit Risk

The Trustee company's credit risk measure for its cash balances as at 30 June 2017 is AA- (2016: A+).

#### (c) Net Fair Values

The Trustee company's financial assets and liabilities are carried at fair value.

### (16) Dividend Franking Account

Balance of franking account available to shareholders of the Trustee company for subsequent financial years:

	2017 \$	2016 \$
Opening balance	659,721	974,893
Tax paid / (refund)	539	(315,172)
Closing balance	660,260	659,721



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### (17) Financing Arrangements

Access was available at balance date to the following bank facilities:

Total facilities	2017	2016
	\$	\$
Corporate credit card facility	250,000	180,000
	<u>250,000</u>	<u>180,000</u>
Unused at balance date		
Corporate credit card facility	244,468	167,029
	<u>244,468</u>	<u>167,029</u>

### (18) Events After the Balance Sheet Date

The Trustee company Equipsuper Pty Ltd had undertaken a review of its corporate structure during the 2015-2016 financial year. On 1 July 2016 all 3 shares in the Trustee company held by the Chair (on trust for the participating employers) were transferred to Equipsuper Financial Holdings Pty Ltd (EFHPL) as part of the corporate restructure of the Trustee. In consideration of the transfer, EFHPL issued 3 shares at \$13,757 each to the Chair (on trust for the participating employers). On 22 June 2016, Equipsuper Financial Planning Pty Ltd obtained a variation to its Australian Financial Services Licence permitting it to provide financial products advice and deal in derivatives and foreign exchange contracts on behalf of wholesale clients. On 1 July 2016, Equipsuper Financial Planning Pty Ltd appointed Equipsuper Asset Management Pty Ltd as its corporate authorised representative. Equipsuper Asset Management Pty Ltd manages the internal portfolio of the Fund and provides investment consulting services to Equipsuper Pty Ltd the Trustee of the Fund.

This strategy is part of the corporate restructure of the Fund's Trustee company Equipsuper Pty Ltd and has been implemented on the basis that it will position Equipsuper Pty Ltd for future growth and deliver material benefits to Fund members in the long term.

On 1 July 2017 the Rio Tinto Staff Superannuation Fund (RTSSF) merged with Equipsuper under a successor fund transfer (SFT) deed. RTSSF transferred in \$5,564,113,000 in assets and 28,671 members composed of 366 Defined Benefit, 27,195 Accumulation and 1,110 Pension members. The \$14 billion merged fund provides scale and resources to continue its investment in industry-leading products and services, and to provide better outcomes for members with reduced fees and costs over time.

The SFT deed requires the transfer to the Rio Tinto DB Employer Benefit Account (EBA) a sum of \$4,968,783 from the Administration and General Purpose Reserve. This is to replenish the EBA for its previous funding of the RTSSF Operational Risk Reserve and is to be transferred by the 31 December 2018.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### **(18) Events After the Balance Sheet Date (continued)**

The Trustee was granted a MySuper licence for the product, RT Growth (MySuper), by APRA on 29 June 2017. However, the Trustee did not offer the product until 1 July 2017 and there were no members or assets until this date.

There are no other matters or circumstances that have arisen since 30 June 2017 which have significantly affected or may significantly affect the operation of the Trustee company, the result of those operations or the state of affairs of the Trustee company in subsequent financial years except as may be stated elsewhere in the financial statements.

## DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 30 are in accordance with the *Corporations Act 2001*, including:

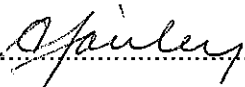
(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.



**A.E.J. Fairley**  
Chair



**J. Azaris**  
Director

Melbourne  
27 September 2017





Building a better  
working world

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## Independent Auditor's Report to the Members of Equisuper Pty Ltd

### Opinion

We have audited the financial report of Equisuper Pty Ltd (the "Company"), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our 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 Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

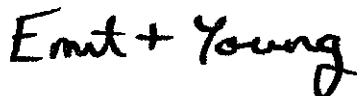
## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Company'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 report or, if such disclosures are inadequate, to modify our 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

We communicate with the directors 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 identify during our audit.



Ernst & Young



Brett Kallio  
Partner  
Melbourne  
27 September 2017