

# Equisuper

ABN 33 813 823 017

# Financial Statements

For the year ended 30 June 2018

---

## **Table of Contents**

<b>Table of Contents</b>	<b>1</b>
<b>Statement of Financial Position</b>	<b>2</b>
<b>Income Statement</b>	<b>3</b>
<b>Statement of Changes in Member Benefits</b>	<b>4-5</b>
<b>Statement of Cash Flows</b>	<b>6</b>
<b>Statement of Changes in Reserves</b>	<b>7</b>
<b>Notes to the Financial Statements</b>	<b>8 - 51</b>
<b>Trustee Declaration to the Members</b>	<b>52</b>
<b>Report by the RSE Auditor to the Trustee and Members</b>	<b>53</b>

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

	Notes	2018 \$000	2017 \$000
<b>Assets</b>			
Cash and cash equivalents	17	75,649	30,764
Receivables	18	64,246	43,946
Investments	8	15,044,599	8,320,494
Plant and equipment	20	2,021	1,402
Deferred tax assets	11	926	959
<b>Total assets</b>		<b>15,187,441</b>	<b>8,397,565</b>
<b>Liabilities</b>			
Payables	19	(51,973)	(43,237)
Income tax payable		(31,802)	(4,857)
Deferred tax liabilities	11	(263,376)	(149,465)
<b>Total liabilities excluding member benefits</b>		<b>(347,151)</b>	<b>(197,559)</b>
<b>Net assets available for member benefits</b>		<b>14,840,290</b>	<b>8,200,006</b>
<b>Member liabilities:</b>			
Defined contribution member liabilities	3	(12,425,184)	(6,008,733)
Defined benefit member liabilities	4	(1,841,338)	(1,728,661)
<b>Total member liabilities</b>		<b>(14,266,522)</b>	<b>(7,737,394)</b>
<b>Total net assets</b>		<b>573,768</b>	<b>462,612</b>
<b>Equity</b>			
Operational risk reserve	2(o)	(38,809)	(20,730)
Administration and general purpose reserve	2(o)	(36,642)	(24,883)
Other reserve	2(o)	(2,022)	(1,402)
Self-Insurance reserve	2(o)	(6,457)	(5,948)
Investment tax timing reserve	2(o)	8,032	7,607
Defined benefit plans (over)/under funded	5	(497,870)	(417,256)
<b>Total equity</b>		<b>(573,768)</b>	<b>(462,612)</b>

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 8 to 51.

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$000	2017 \$000
<b>Superannuation activities</b>			
Interest		79,224	65,082
Dividend revenue		289,772	172,486
Other investment income		4,261	1,422
Changes in assets measured at fair value	9	1,098,270	599,014
Other income		862	982
<b>Total superannuation activities income</b>		<b>1,472,389</b>	<b>838,986</b>
Investment expenses		(58,424)	(30,589)
Administration expenses		(37,410)	(21,203)
Depreciation expense and impairment losses		(255)	(200)
Insurance rebate/(expense)		20	(5)
<b>Total expense</b>		<b>(96,069)</b>	<b>(51,997)</b>
<b>Net result from superannuation activities</b>		<b>1,376,320</b>	<b>786,989</b>
Net change in defined benefit member liabilities		(76,531)	(147,045)
Net benefits allocated to defined contribution member accounts		(1,125,942)	(538,249)
<b>Net profit/(loss) before income tax</b>		<b>173,847</b>	<b>101,695</b>
Income tax (expense)/benefit	11	(95,989)	(48,496)
<b>Net profit/(loss) after income tax</b>		<b>77,858</b>	<b>53,199</b>

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 8 to 51.

**STATEMENT OF CHANGES IN MEMBER BENEFITS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Defined Contribution Members' Benefits*	Defined Benefit Members' Benefits*	Total
	\$000	\$000	\$000
<b>Opening balance as at 1 July 2017</b>	6,008,733	1,728,661	7,737,394
Member contributions	80,052	2,779	82,831
Spouse contributions	414	-	414
Employer contributions	517,015	35,924	552,939
Transfers from other superannuation plans	5,532,399	245,312	5,777,711
Transfers to other superannuation plans	(368,532)	(27,208)	(395,740)
Income tax on contributions	(71,968)	(1,029)	(72,997)
<b>Net after tax contributions</b>	<u>5,689,380</u>	<u>255,778</u>	<u>5,945,158</u>
Benefits paid to members/beneficiaries	(589,013)	(17,688)	(606,701)
Insurance premiums charged to members	(29,153)	(2,586)	(31,739)
Death and disability benefits credited to member accounts	17,850	2,087	19,937
Transfer of funds from defined benefit member benefits	-	(201,445)	(201,445)
Transfer of funds to defined contribution member benefits	201,445	-	201,445
Reserve transfer to /(from) members			
Operational Risk Reserve	-	-	-
Administration and General Purpose Reserve	-	-	-
Net benefits allocated comprising:			
Net investment income allocated	1,149,780	-	1,149,780
Administration fees**	(23,838)	-	(23,838)
Net change in DB member benefits	-	76,531	76,531
<b>Closing balance as at 30 June 2018</b>	<u><b>12,425,184</b></u>	<u><b>1,841,338</b></u>	<u><b>14,266,522</b></u>

\*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 financial position is to be read in conjunction with the notes to the financial statements set out on pages 8 to 51.

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

	<b>Defined Contribution Members' Benefits*</b>	<b>Defined Benefit Members' Benefits*</b>	<b>Total</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Opening balance as at 1 July 2016</b>	5,197,162	1,875,926	7,073,088
Member contributions	118,911	3,169	122,080
Spouse contributions	131	-	131
Employer contributions	280,177	54,027	334,204
Transfers from other superannuation plans	89,063	66,465	155,528
Transfers to other superannuation plans	(259,358)	(70,952)	(330,310)
Income tax on contributions	(39,029)	(6,936)	(45,965)
<b>Net after tax contributions</b>	<u>189,895</u>	<u>45,773</u>	<u>235,668</u>
Benefits paid to members/beneficiaries	(216,225)	(33,809)	(250,034)
Insurance premiums charged to members	(14,667)	(2,931)	(17,598)
Death and disability benefits credited to member accounts	6,960	4,016	10,976
Transfer of funds from defined benefit member benefits	-	(307,359)	(307,359)
Transfer of funds to defined contribution member benefits	307,359	-	307,359
Reserve transfer to /(from) members			
Operational Risk Reserve	-	-	-
Administration and General Purpose Reserve	-	-	-
Net benefits allocated comprising:			
Net investment income allocated	552,422	-	552,422
Administration fees**	(14,173)	-	(14,173)
Net change in DB member benefits	-	147,045	147,045
<b>Closing balance as at 30 June 2017</b>	<u><b>6,008,733</b></u>	<u><b>1,728,661</b></u>	<u><b>7,737,394</b></u>

\*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 financial position is to be read in conjunction with the notes to the financial statements set out on pages 8 to 51.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$000	2017 \$000
<b>Cashflows from operating activities</b>			
Interest received		1,170	902
Insurance premiums paid		(33,794)	(18,562)
Other income		655	709
Administration expenses		(42,404)	(31,651)
Investment expenses		(28,402)	(18,104)
Other expenses		(1,150)	(1,049)
Death and disability benefits received		19,936	10,976
Insurance rebate received		-	(5)
Plant and equipment purchased		(865)	(138)
Income tax paid		(60,604)	(8,200)
Term deposits (placed)/redeemed (> 3 months)		10,045	7,855
<b>Net cash inflows (outflows) from operating activities</b>	17	<b>(135,413)</b>	<b>(57,267)</b>
<b>Cashflows from investing activities</b>			
Transfer (to)/from Investment Assets		310,786	78,809
<b>Net cash inflow(outflow) from investing activities</b>		<b>310,786</b>	<b>78,809</b>
<b>Cashflows from financing activities</b>			
Employer contributions		552,939	334,753
Member contributions		82,831	121,722
Spouse contributions		414	525
Benefit payments made to members		(606,701)	(242,963)
Income tax paid on contributions		(56,950)	(51,913)
Transfer of bank balance from SFT		43,004	-
Transfers from other superannuation plans		246,715	155,528
Transfers to other superannuation plans		(395,740)	(330,342)
<b>Net cash inflow(outflow) from financing activities</b>		<b>(130,488)</b>	<b>(12,690)</b>
<b>Net increase in cash</b>		<b>44,885</b>	<b>8,852</b>
<b>Cash at the beginning of period</b>		<b>30,764</b>	<b>21,912</b>
<b>Cash at the end of the financial period</b>	17	<b>75,649</b>	<b>30,764</b>

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 8 to 51.

**STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 30 JUNE 2018**

	Operational Risk Reserve	Admin & General Purpose Reserve	Other Reserve	Self- Insurance Reserve	Investment Tax Timing Reserve	Defined Benefit plans over/ (under) funded	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Opening balance</b>	<b>20,730</b>	<b>24,883</b>	<b>1,402</b>	<b>5,948</b>	<b>(7,607)</b>	<b>417,256</b>	<b>462,612</b>
Transfer between reserves	-	-	-	-	-	-	-
Transfer from SFT	16,076	-	-	-	17,222	-	33,298
Transfers from DC member accounts	-	-	-	-	-	-	-
Transfers from DB member accounts	-	-	-	-	-	-	-
Operating result	2,003	11,759	620	509	(17,647)	80,614	77,858
<b>Closing balance</b>	<b>38,809</b>	<b>36,642</b>	<b>2,022</b>	<b>6,457</b>	<b>(8,032)</b>	<b>497,870</b>	<b>573,768</b>

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

	Operational Risk Reserve	Admin & General Purpose Reserve	Other Reserve	Self- Insurance Reserve	Investment Tax Timing Reserve	Defined Benefit plans over/ (under) funded	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Opening balance</b>	<b>18,917</b>	<b>18,340</b>	<b>1,464</b>	<b>5,339</b>	<b>17,545</b>	<b>347,808</b>	<b>409,413</b>
Transfer between reserves	1,382	(1,382)	-	-	-	-	-
Transfers from DC member accounts	-	-	-	-	-	-	-
Transfers from DB member accounts	-	-	-	-	-	-	-
Operating result	431	7,925	(62)	609	(25,152)	69,448	53,199
<b>Closing balance</b>	<b>20,730</b>	<b>24,883</b>	<b>1,402</b>	<b>5,948</b>	<b>(7,607)</b>	<b>417,256</b>	<b>462,612</b>

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 8 to 51.



---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 1. The Fund

Equisuper Superannuation Fund (the "Fund") 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), mergers with the Gas and Fuel Superannuation Fund (1997) and the Water Industry Superannuation Fund (1999) and take-on of various corporate superannuation funds. The Fund offers defined benefit and accumulation benefits for employed members, benefits for spouses, allocated and lifetime pensions for retired members and eligible dependents and rollover benefits for members who have terminated employment but not retired.

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, 27,195 Accumulation and 1,110 Pension members. The \$15 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 required the transfer to the Rio Tinto DB 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 not-for-profit Trustee company for the Fund is Equisuper Pty Limited ABN 64 006 964 049 (the 'Trustee'). The Trustee's registered office is Level 12, 330 Collins Street, Melbourne VIC.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993, the Fund was registered with the Australian Prudential Regulation Authority (APRA) on 31 August 2005 (registration no R1000177).

From 1 July 1996, the Fund is a complying superannuation fund under the Superannuation Industry (Supervision) Act 1993. Accordingly, for the year ended 30 June 2018 the Fund is a complying superannuation fund for the purposes of the Income Tax Assessment Act 1997 and is eligible to be taxed at the concessional tax rate of 15% (2017: 15%).

#### (a) Defined Benefit (DB)

The benefits provided and the contribution levels by members and employers depend on the particular benefit division. When a member retires and takes a lifetime pension, the pension liability is supported by assets in the defined benefit Employer Benefit Account (EBA).

#### (b) Defined Contribution (DC)

The Defined Contribution division is an accumulation fund that offers investment, contribution and insurance choice. The insurance cover offered can depend on who is the employer. DB division members who wish to "top-up" their defined benefits may also invest in the DC division.

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 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 including AASB 1056 "Superannuation Entities", the Superannuation Industry (Supervision) Act 1993 and Regulations and the provisions of the Trust Deed. Since AASB1056 is the principal standard that applies to the financial statements, other standards, including Australian Accounting Standards issued by the AASB are also applied where necessary except to the extent that they differ from AASB 1056.

The financial statements were authorised for issue by the Trustee's board of directors on 20 September 2018.

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below, except for those standards which, in the opinion of the Management, will clearly not impact the Fund. Management intends to adopt these standards, if applicable, when they become effective.

#### IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Management plans to adopt the new standard on the required effective date. During 2018, Management has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to Management in the future. Overall, Management expects no significant impact on its balance sheet.

##### *(1) Classification and measurement*

Management does not expect a significant impact on the Fund's balance sheet from applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets. Debt securities are expected to be measured at fair value through Profit and Loss under IFRS 9. This is consistent with the current approach as the Fund does not necessarily hold these assets to collect contractual cash flows. The Fund holds loans as well as trade receivables to collect contractual cash flows of interest and principal. Management expects this will be consistent with IFRS 9 requirements to measure such assets on an amortised cost basis. However, Management will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 2. Summary of significant accounting policies

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

##### *(2) Impairment*

IFRS 9 requires the Fund to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. Given the limited exposure of the Fund to credit risk, this amendment will not have a significant impact on the financial statements.

##### *(3) Hedge accounting*

Management has not applied hedge accounting for the Fund under IAS 39 and will not apply hedge accounting under IFRS 9.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS and is effective for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. Given that the majority of revenue streams of the Fund, being interest, dividends and rental income, fall outside of the scope of IFRS 15, preliminary impact assessments made during 2018 indicate minimal impact arising on the adoption of this standard.

#### (c) Consolidation

The Fund is an investment entity and, as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit or loss, and measured at fair value.

Refer to Note 2(d) for further details.

#### (d) Financial assets and liabilities

##### *(1) Classification*

The Fund classifies its financial assets and liabilities into the categories below in accordance with AASB 139.

Investments and derivatives of the Fund are initially recognised at cost, being the fair value of the consideration given including transaction costs. After initial recognition, investments and derivatives are

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**2. Summary of significant accounting policies (continued)**

**(d) Financial assets and liabilities (continued)**

measured at fair values. Gains or losses on investments and derivatives are recognised in the Income Statement in the period in which they occur.

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

*Purpose of derivative financial products*

The Trustee utilises derivatives, such as futures contracts and options, 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.

Fair values have been determined as follows:

*Shares in listed companies, convertible notes in listed companies and units in listed property trusts:* Investments traded on the Australian Securities Exchange are valued by reference to the relevant market quotation at the reporting date. Investments traded on overseas exchanges are valued at reporting date, those values are then translated into Australian dollars at the exchange rate applying at 30 June 2018.

*Shares in unlisted companies:*

Fair value per share or by valuation by independent valuer as at the reporting date or by some other valuation process acceptable to the Trustee, based on sound and justifiable practices.

*Short-term deposits:*

Outstanding principal and interest as at the reporting date.

*Units in managed funds and property trusts:*

By reference to the unit redemption price at the reporting date as advised by the investment managers which is based on the market value of the underlying investments. Unit values denominated in foreign currency are then translated into Australian dollars at the exchange rate applying at year end.

*Annuities:*

The Fund has purchased policies from a life office to underwrite the pensions of members who were formerly employed by a participating employer who has withdrawn from the Fund. The value attributed to these policies is the value of the underlying pensions as determined by Mercer (Australia) Pty Ltd (the "Fund's Actuary").

*Government securities and other fixed interest securities:*

Government securities, semi-government securities, bills of exchange, notes and other fixed interest securities are valued at market value derived from yields obtained from independent sources.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**2. Summary of significant accounting policies (continued)**

**(d) Financial assets and liabilities (continued)**

*(2) Recognition*

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchase or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Fund commits to purchase or sell the asset.

*(3) De-recognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- i. The rights to receive cash flows from the asset have expired; or
- ii. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- iii. Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

*(4) Initial recognition*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the income statement.

*(5) Subsequent measurement*

After initial measurement, the Fund measures investments and derivatives at fair value through profit or loss. Subsequent changes in fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement. Interest earned is recorded in 'Interest' according to the terms of the contract. Dividend revenue is recorded in 'Dividend revenue'.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**2. Summary of significant accounting policies (continued)**

**(e) 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to Note 15(a).

**(f) Cash and cash equivalents**

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

For the purpose of statement of cash flows, cash and cash equivalents consists of cash and short-term deposits as defined above.

**(g) Receivables and payables**

Receivables are carried at nominal amounts due which approximate fair value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is objective evidence that the debt will not be collected. Objective evidence may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as change in arrears or economic conditions that correlate with defaults.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**2. Summary of significant accounting policies (continued)**

**(g) Receivables and payables (continued)**

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.

**(h) Plant and equipment**

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

**(i) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

*Changes in fair values:*

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.

*Interest:*

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.

*Dividends and distributions:*

Dividend and distribution revenue is recognised when the Fund's right to receive payment is established. Revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately as tax expense in the income statement.

All revenue received arises from the operating activities of the Fund. Distributions from managed investment schemes are recognised as at the date the units are quoted ex-distribution and if not received at balance date, are reflected in the statement of financial position as a receivable.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**2. Summary of significant accounting policies (continued)**

**(j) 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.

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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

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

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

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

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

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

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



---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**2. Summary of significant accounting policies (continued)**

**(j) Income Tax (continued)**

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

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

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

**(k) 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.

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.

**(l) Superannuation contributions surcharge**

The Superannuation Laws Amendment (abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

The Fund recognises the amount paid and payable in respect of the surcharge contributions levy as an expense. The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the Fund. No estimate has been made for the balance of any levy payable.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**2. Summary of significant accounting policies (continued)**

**(l) Superannuation contributions surcharge (continued)**

In respect of surchargeable contributions received by the Fund during the year, the Fund is unable to determine this amount until receipt of applicable assessments. The superannuation contributions surcharge is charged to the relevant member unless precluded by legislation.

**(m) 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. The Fund's performance is evaluated and its liquidity managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions in foreign currencies are initially recorded in the functional currency spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the balance sheet date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial statement report, are recognised in the income statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**(n) 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.

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 2. Summary of significant accounting policies (continued)

#### (o) Reserves

The Trustee has created five categories of reserves as follows:

##### *Operational Risk 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, and is managed within a range of 23 to 27 basis points. The reserve is monitored on an on-going basis and replenished with additional funds in the event the balance falls below the lower tolerance limit.

##### *Administration and General Purpose 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. The amount held is set at nominally 15 basis points (or 0.15%) of total member entitlements and, during the financial year, was managed within a range of 10 to 25 basis points. The appropriate target level is established annually through the business planning process.

##### *Other Reserve:*

Established for capital expenditure purposes such as plant and equipment purchased to facilitate the operation of the Fund.

##### *Investment Tax Timing Reserve:*

Reflects investment tax yet to be attributed to members due to timing differences between the reporting date of financial statements and payment dates of tax commitments & refund entitlements. The 30 June balance of this reserve always reverts to zero in the following financial year with members obtaining the value of the reserve via investment option unit prices.

##### *Self-insurance Reserve:*

Established to fund the future service component of the death and disability benefits of certain defined benefit members, this reserve is funded by relevant defined benefit employers. The amount held is determined by the Fund's actuary and reviewed on an on-going basis.

Further detail on the movement in reserve balances over the reporting period is provided in Statement of Changes in Reserves.

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 2. Summary of significant accounting policies (continued)

#### (p) 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.

#### *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 including a discounted cashflow model (DCF model). The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

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

#### *Assessment as investment entity*

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' (AASB10) and does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit or loss, and measured at fair value.

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

- Obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- Commits to its investors 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 substantially all of 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 investments 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.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**2. Summary of significant accounting policies (continued)**

**(p) Significant accounting judgements, estimates and assumptions (continued)**

The Fund held 100% of South Australian Ports Trust and Equisuper Holdings Pty Ltd as at 30 June 2018. However, the entities are not consolidated because the Fund has elected to adopt the exemption from consolidation afforded by AASB10.

These conclusions will be reassessed on an annual basis, if any of these criteria or characteristic changes.

*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.

In determining the appropriate discount rate, the actuary considers 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 mortality assumption is based on publically available mortality tables. Future salary increases are based on Wage Price Index produced by the Australian Bureau of Statistics and in consultation with employer-sponsors.

**(q) Netting off financial instruments**

Financial assets and financial liabilities are only offset and the net amount presented in the balance sheet when, and only 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.

**(r) Insurance**

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

**(s) Climate change**

The Trustee in its management of the Fund takes into account Environmental, Social and Governance factors in its investment processes. This is in line with Equisuper's Corporate Social Responsibility Policy and Equisuper's Investment Beliefs Document.

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 3. Defined contribution member liabilities

Defined contribution member account balances are determined by unit prices that are determined based on the underlying investment movements.

Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Unit prices are updated daily. Refer to Note 14 for the Fund's management of the investment risks.

At 30 June 2018 all net assets attributable to defined contribution members have been allocated to those members (2017: nil unallocated). Defined contribution member liabilities 100% vest.

### 4. Defined benefit member liabilities

The Fund engages qualified actuaries on an annual basis to measure the defined benefit members' liabilities. The Fund has no information that would lead it to adjust the assumptions from the previous reporting period.

The actuarial valuation of member liabilities reflect 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-funds were:

- The future rate of investment return (net of investment taxes and net of investment management fees)
- The future rate of salary growth; and
- The future rate of pension increases.

### 4. Defined benefit member liabilities (continued)

Relevant assumptions are disclosed in the following table.

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

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.

The Trustee has a number of steps 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

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

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 tables on the following pages list sensitivity calculations on a univariate basis for investment return and rate of salary adjustment assumptions for the defined benefit sub plans. The identification codes for sub plans with 5 members or less have been modified with the denotation of XX to maintain member privacy.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**4. Defined benefit member liabilities (continued)**  
**2018 Sensitivity Analysis**

DB sub plan	Assumption for sub plans assumed at reporting date		Amount of increase/(decrease) in member liabilities \$'000	
	Discount rate	Salary adjustment rate	Reasonable possible change in Discount rate -1%pa	Reasonable possible change in Salary adjustment rate +1%pa
EQ9004	6.3%	4.75%	3,701	2,595
EQ9023	6.3%	5.25%	21,945	16,097
EQ9037	6.3%	4.25%	1,562	1,189
EQ9018	6.3%	4.75%	6,126	3,884
EQ90XX	6.3%	3.25%	86	76
EQ9021	6.3%	5.25%	5,045	4,085
EQ9048	6.3%	3.75%	4,259	3,693
EQ9009	3.4%	4.25%	865	674
EQ9032	6.3%	5.25%	18,327	14,974
EQ9074	6.3%	4.75%	12,717	9,976
EQ9008	6.3%	3.75%	622	514
EQ9084	6.3%	4.25%	7,782	6,219
EQ9030	6.3%	4.25%	976	447
EQ90XX	6.3%	4.75%	-	-
EQ9046	6.3%	5.25%	929	344
EQ90XX	6.3%	3.25%	50	36
EQ9028	6.3%	4.25%	1,428	568
EQ90XX	6.3%	3.75%	93	-
EQ9024	6.3%	3.25%	2,949	2,501
EQ9047	6.3%	3.75%	1,544	1,457
EQ9049	6.3%	4.25%	1,560	1,569
EQ90XX	6.3%	2.75%	210	130
EQ9039	6.3%	4.25%	3,403	2,457
EQ90XX	6.3%	4.25%	6	1
EQ9056	6.3%	3.25%	231	191
EQ9062	6.3%	3.25%	222	151
EQ9051	6.3%	3.75%	0	0
EQ9054	6.3%	3.75%	1,234	777
EQ9010	6.3%	5.75%	4,850	4,538
EQ9064	6.3%	5.25%	413	352
EQ9073	6.3%	4.25%	583	586
EQ9078	6.3%	3.75%	37	33
EQ90XX	6.3%	4.25%	2	1
EQ90XX	6.3%	3.25%	0	0
EQ9086	6.3%	4.75%	157	135
EQ9092	6.3%	4.75%	2,556	2,174
EQ9093	5.5%	3.25%	-	-
EQ9094	5.2%	3.75%	1,511	1,251
EQ9095	5.0%	3.50%	50	58
EQ9096	6.0%	3.25%	1,238	963
EQ9097	6.3%	3.25%	4,366	4,166
EQ9098	5.0%	3.50%	347	374
EQ9099	5.6%	3.75%	7,915	7,066
EQ9100	5.6%	3.75%	547	356
EQ9993	6.7%	0.0%	151	-
EQ9994	6.7%	0.0%	385	-



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**4. Defined benefit member liabilities (continued)**  
**2017 Sensitivity Analysis**

DB sub plan	Assumption for sub plans assumed at reporting date		Amount of increase/(decrease) in member liabilities \$'000	
	Discount rate	Salary adjustment rate	Reasonable possible change in Discount rate -1%pa	Reasonable possible change in Salary adjustment rate +1%pa
EQ9004	6.3%	4.75%	3,924	2,735
EQ9023	6.3%	5.25%	24,865	20,889
EQ9037	6.3%	4.25%	1,156	1,034
EQ9011	6.3%	0.00%	-	-
EQ9022	6.3%	0.00%	-	-
EQ9018	6.3%	4.75%	6,455	4,952
EQ90XX	6.3%	3.25%	80	80
EQ9021	6.3%	5.25%	5,554	4,295
EQ9048	6.3%	3.75%	5,369	4,987
EQ9009	3.4%	4.25%	849	805
EQ9032	6.3%	5.25%	17,855	17,018
EQ9074	6.3%	4.75%	12,378	11,352
EQ9008	6.3%	3.75%	589	516
EQ9084	6.3%	4.25%	7,762	6,954
EQ9045	6.3%	0.00%	-	-
EQ9030	6.3%	4.25%	1,032	469
EQ90XX	6.3%	4.75%	21	21
EQ9046	6.3%	5.25%	1,138	812
EQ90XX	6.3%	3.25%	47	47
EQ9028	6.3%	4.25%	1,474	834
EQ90XX	6.3%	3.75%	34	34
EQ9024	6.3%	3.25%	3,297	2,907
EQ9047	6.3%	3.75%	1,562	1,448
EQ9049	6.3%	4.25%	1,530	1,530
EQ90XX	6.3%	2.75%	213	120
EQ9039	6.3%	4.25%	3,434	2,511
EQ90XX	6.3%	4.25%	36	21
EQ9056	6.3%	3.25%	209	209
EQ9062	6.3%	3.25%	233	233
EQ9051	6.3%	3.75%	-	-
EQ9054	6.3%	3.75%	7,186	7,056
EQ9010	6.3%	5.75%	5,785	5,785
EQ9064	6.3%	5.25%	378	313
EQ9073	6.3%	4.25%	613	613
EQ9078	6.3%	3.75%	47	47
EQ90XX	6.3%	4.25%	2	2
EQ90XX	6.3%	3.25%	-	-
EQ9086	6.3%	4.75%	148	109
EQ9092	6.3%	4.75%	2,483	2,483
EQ9093	5.5%	4.0%	-	-
EQ9094	5.2%	3.75%	1,795	1,795
EQ9095	5.0%	3.5%	47	47
EQ9096	6.0%	3.25%	1,324	1,324
EQ9097	6.25%	3.25%	4,254	3,954
EQ9098	5.0%	3.50%	283	283
EQ9993	6.7%	0.0%	158	-
EQ9994	6.7%	0.0%	392	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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

DB sub plan	2018 \$000	2017 \$000
EQ9004	13,744	12,775
EQ9023	51,000	50,297
EQ9037	8,230	6,915
EQ9018	31,275	25,392
EQ90XX	908	839
EQ9021	4,353	9,999
EQ9048	34,520	33,964
EQ9009	(152)	54
EQ9032	39,719	34,316
EQ9074	48,113	38,741
EQ9008	3,697	3,444
EQ9084	35,250	31,438
EQ9030	7,558	6,787
EQ90XX	-	737
EQ9046	3,944	3,930
EQ90XX	948	974
EQ9028	5,649	5,027
EQ90XX	(26)	118
EQ9024	34,319	33,377
EQ9047	10,218	9,719
EQ9049	13,559	12,517
EQ90XX	1,571	1,387
EQ9039	20,141	18,285
EQ90XX	2,553	2,381
EQ9056	773	982
EQ9062	3,903	3,520
EQ9051	265	273
EQ9054	8,817	7,742
EQ9010	5,386	2,520
EQ9064	1,967	1,681
EQ9073	6,238	6,392
EQ9078	152	93
EQ90XX	154	157
EQ90XX	128	115
EQ9086	772	637
EQ9092	7,698	6,329
EQ9093	7,440	6,863
EQ9094	7,129	8,145
EQ9095	871	1,084
EQ9096	18,766	17,224
EQ9097	4,492	3,833
EQ9098	104	(168)
EQ9099	41,173	-
EQ9100	3,534	-
EQ9993	3,084	2,820
EQ9994	3,933	3,577
Pensions backed by annuity	-	24
	<b>497,870</b>	<b>417,256</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**5. Defined Benefit Plans that are over or (under) funded (continued)**

As at 30 June 2018 the assets of the Corporate Plan Defined Benefit Division in aggregate were \$497 million above the Accrued Benefits in that Division (2017: \$417 million above) and \$429 million above Vested Benefits (2017: \$350 million above). The Corporate Plan Defined Benefit Division is made up of 45 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 2018, 2 plans were underfunded to the value of \$158k and \$26k. The Actuary of these plans will be recommending that the employer-sponsor make contributions, which according to current assumptions, will result in member liabilities being full funded in 3 years.

**6. Contributions receivable**

There are no employer sponsored contributions receivable as at 30 June 2018 (2017: Nil).

**7. Funding arrangements**

The employers have contributed to the Fund during the financial year at a rate of at least 9.5% (2017: 9.5%) of the gross salaries of those employees who were defined contribution members of the Fund. The employers for the defined benefit members have contributed to the Fund during the financial year at the rate determined by the actuaries. Employees are also able to make voluntary contributions.

**8. Investments at fair value**

	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Cash and deposits	1,063,754	1,025,354
Derivatives	(16,612)	16,685
Listed equities	5,796,309	3,324,302
Listed property trusts, Listed unit trusts	412,349	283,689
Other interest bearing securities	3,242,212	1,976,993
Unlisted equities	228,395	113,056
Unlisted unit trusts	4,177,467	1,489,693
Unlisted partnerships	139,118	89,065
Annuity	1,607	1,657
	<u>15,044,599</u>	<u>8,320,494</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**9. Changes in fair value of investments**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>Investments held at balance date</b>		
Cash and deposits	181	(223)
Derivatives	(32,975)	14,357
Listed equities	517,627	342,334
Listed property trusts, Listed unit trusts	29,320	(8,363)
Other interest bearing securities	15,527	(15,966)
Unlisted equities	42,365	22,940
Unlisted unit trusts	237,933	88,272
Unlisted partnerships	4,272	3,314
Annuity	49	33
<b>Total unrealised gains/(losses)</b>	<b>814,299</b>	<b>446,698</b>
<b>Investments realised during financial year</b>		
Cash and deposits	19,850	3,914
Derivatives	(17,308)	36,049
Listed equities	281,566	117,254
Listed property trusts, Listed unit trusts	3,643	(6,823)
Other interest bearing securities	10,637	1,922
Unlisted equities	(10,243)	-
Unlisted unit trusts	(4,174)	-
Unlisted partnerships	-	-
Annuity	-	-
<b>Total realised gains/(losses)</b>	<b>283,971</b>	<b>152,316</b>
<b>Changes in fair value of investments</b>	<b>1,098,270</b>	<b>599,014</b>

\*The amounts recorded as 'realised during the year' above is the difference between the fair value at sale and the carrying amount at the beginning of the reporting period or when acquired, if acquired during the year.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**10. Auditor's remuneration**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Auditor's remuneration is paid by the Trustee company and reimbursed by the Fund on a cost recovery basis:		
Ernst & Young		
- Audit of the Fund	151	138
- Other services for the Fund*	35	13
<b>Total Auditor's Remuneration</b>	<b><u>186</u></b>	<b><u>151</u></b>

\*Other services includes audit of APRA return, GS007 and compliance with SIS, Corps Act 2001 and APRA prudential standards.

**11. Income tax**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>(a) Major components of income tax expenses for the years ended 30 June 2018 and 2017:</b>		
<b>Current tax expense</b>		
Current tax charge	63,126	20,416
Adjustment in respect of current income tax of previous years	(2,685)	(1,073)
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	35,548	29,153
<b>Total tax expense/(benefit) as reported in income statement</b>	<b><u>95,989</u></b>	<b><u>48,496</u></b>

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>(b) Reconciliation between income tax expenses and the accounting profit before income tax:</b>		
Profit/(loss) from operating activities	1,376,328	786,989
Income tax at 15%	206,449	118,048
Increase in tax expense due to:		
Under/(over) provision in prior years	(2,685)	(1,073)
Pension exemption	(16,236)	(8,349)
Difference between accounting and tax	(4,989)	(5,624)
Discount on capital gains and realized loss offset	(41,531)	(26,262)
Net imputation and foreign tax credits	(45,019)	(28,244)
<b>Income tax expense/(benefit) reported in the income statement</b>	<b><u>95,989</u></b>	<b><u>48,496</u></b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**11. Income tax (continued)**

**(c) Deferred tax**

Type of Temporary Difference	2018			Closing balance \$000
	Opening balance	Charged to income	Other Movement	
	\$000	\$000		
<b>Deferred tax assets</b>				
Fund expenses accrued but not incurred	959	(221)	-	738
Unrealised losses on investments	-	-	-	-
SFT take-on balance	-	-	188	188
	959	(221)	188	926
<b>Deferred tax liabilities</b>				
Accrued income	(3,686)	(1,371)	-	(5,058)
Prepaid expenses	-	(30)	-	(30)
Unrealised gains on investments	(145,779)	(33,925)	-	(179,704)
SFT Take-on balance	-	-	(78,584)	(78,584)
	(149,465)	(35,327)	(78,584)	(263,376)
<b>Net deferred tax asset/(liability)</b>	<b>(148,506)</b>	<b>(35,548)</b>	<b>(78,396)</b>	<b>(262,450)</b>

Type of Temporary Difference	2017			Closing balance \$000
	Opening balance	Charged to income		
	\$000	\$000		
<b>Deferred tax assets</b>				
Fund expenses accrued but not incurred	1,541	(582)		959
Unrealised losses on investments	-	-		-
	1,541	(582)		959
<b>Deferred tax liabilities</b>				
Accrued income	(4,144)	458		(3,686)
Prepaid expenses	(15)	15		-
Unrealised gains on investments	(116,735)	(29,044)		(145,779)
	(120,894)	(28,571)		(149,465)
<b>Net deferred tax asset/(liability)</b>	<b>(119,353)</b>	<b>(29,153)</b>		<b>(148,506)</b>

The Fund offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 12. Related parties

#### 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 AM  
J. Azaris  
M.N. Cerche (Appointed 1 July 2017)  
M.J. Clinch  
P. Davy-Whyte (Appointed 1 July 2018)  
J.C. Dekker  
J.S. Hickey (Appointed 1 July 2017)  
P. Leary (Retired 30 June 2018)  
L. Rasmussen (Appointed 1 July 2018)  
J. Simon (Retired 30 June 2018)  
W.E. Walker (Appointed 1 July 2017)

Key Management Personnel during the financial year were:

N. Vamvakas (Chief Executive Officer – appointed 1 July 2017)  
N. E. Alford (Executive Officer, Governance and Risk - appointed 8 November 2017)  
G.R. Brooks (Executive Officer, Strategic Marketing and Communications - ceased to act 8 April 2018)  
T. N. Cumming (Executive Officer, Strategy and Markets - appointed 9 April 2018)  
J.M. Farrington (Executive Officer, Corporate Development and Growth)  
B.J. Grant (Executive Officer, Commercial - appointed 4 July 2017)  
W.V. Grant (Executive Officer, Investment Integration - appointed 4 July 2017)  
S.J. Guthleben (Executive Officer, People, Capability and Enablement)  
C.L. Magee (Executive Officer, Member Engagement - appointed 11 September 2017)  
T.J. Rieck (Executive Officer, Investment Performance)  
J.J. Sadler (Executive Officer, Member Relationships - resigned 7 September 2017)

Related party transactions with the sponsoring employers arise from the Trustee's normal dealings when managing the superannuation fund. In accordance with the Rules of the Fund, Equisuper Pty Ltd (ABN 64 006 964 049) is the Trustee of the Fund. The following are the transactions requiring disclosure:

#### a. 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**12. Related parties (continued)**

**a. Compensation of Directors and Key Management Personnel (continued)**

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

	2018 \$	2017 \$
Short-term benefits	3,424,777	2,584,788
Post-employment benefits	244,768	182,896
Other long-term benefits	201,470	228,022
Termination benefits	222,635	644,259
<b>Total</b>	<b><u>4,093,650</u></b>	<b><u>3,639,965</u></b>

Remuneration of Directors for the year ended 30 June:

Director	2018 Total remuneration (including superannuation)	2017 Total remuneration (including superannuation)
A.E.J. Fairley AM	146,762	143,744
J. Azaris	82,554	83,850
M.N. Cerche (Appointed 1 July 2017)	79,496	-
M.J.Clinch	74,380	71,872
J.C. Dekker	79,496	71,872
J.S. Hickey (Appointed 1 July 2017)	73,381	-
S.L. Jericevic (Retired 30 April 2017)	-	59,893
R.C. Jervis-Read (Retired 30 June 2017)	-	71,872
P. Leary (Retired 30 June 2018)	76,334	77,653
A.J. Pickering (Retired 30 April 2017)	-	74,867
J. Simon (Retired 30 Jun 2018)	94,721	77,861
W.E. Walker (Appointed 1 July 2017)	76,439	-
<b>Total Directors</b>	<b>783,563</b>	<b>733,484</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 2018**

**12. Related parties (continued)**

**a. Compensation of Directors and Key Management Personnel (continued)**

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

Executive	2018 Salary (including super- annuation)	2018 Incentive payment*	2018 Total remuneration (including super- annuation)	2017 Salary (including super- annuation)	2017 Incentive payment*	2017 Total remuneration (including super- annuation)
N. Vamvakas**	455,444	157,082	<b>612,526</b>	305,452	72,915	<b>378,367</b>
N. E. Alford	128,961	-	<b>128,961</b>	-	-	-
G.R. Brooks***	219,779	123,918	<b>343,697</b>	213,377	105,509	<b>318,886</b>
T.N. Cumming	68,899	-	<b>68,899</b>	-	-	-
J.M. Farrington	255,280	151,236	<b>406,516</b>	247,996	119,041	<b>367,037</b>
B.J. Grant	224,973	-	<b>224,973</b>	-	-	-
W.V. Grant	228,259	-	<b>228,259</b>	-	-	-
S.J Guthleben	197,374	129,234	<b>326,608</b>	197,374	104,491	<b>301,865</b>
C.L. Magee	209,397	15,200	<b>224,597</b>	-	-	-
T. Rieck	350,045	105,000	<b>455,045</b>	298,395	75,000	<b>373,395</b>
J.J. Sadler****	290,006	-	<b>290,006</b>	253,772	118,187	<b>371,959</b>
M.G Strachan*****	-	-	-	794,972	-	<b>794,972</b>
<b>Total Executives</b>	<b>2,628,417</b>	<b>681,670</b>	<b>3,310,087</b>	<b>2,311,338</b>	<b>595,143</b>	<b>2,906,481</b>
<b>Total Directors and Executives</b>	<b>3,411,980</b>	<b>681,670</b>	<b>4,093,650</b>	<b>3,044,822</b>	<b>595,143</b>	<b>3,639,965</b>

- \*The 2018 incentive payment includes the short-term incentive plan for targets achieved in the year ending 30 June 2017 and the long-term incentive plan for targets achieved in the year ending 30 June 2015. The 2017 incentive payment includes the short-term incentive plan for targets achieved in the year ending 30 June 2016 and the long-term incentive plan for targets achieved in the year ending 30 June 2014.
  - \*\*The Executive was appointed Chief Executive Officer on 1 July 2017.
  - \*\*\*The Executive ceased to act as an executive officer on 8 April 2018.
  - \*\*\*\*The Executive ceased employment on 7 September 2017. The remuneration included annual leave and termination benefits.
  - \*\*\*\*\*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.

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 12. Related parties (continued)

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.

#### b. 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 paid as a reimbursement to the Trustee company by the Fund during the year (including the amount of GST not recoverable from the ATO) were \$40,363,582 (2017: \$29,387,215). The amounts due and payable at balance date were \$5,735,610 (2017: \$4,294,000).

The fees paid as a reimbursement to Equipsuper Asset Management Pty Ltd by the Fund during the year (including the amount of GST not recoverable from the ATO) were \$22,128,986.55 (2017: \$12,855,065). The amounts due and payable at balance date were \$21,989,142 (2017: \$5,926,690).

The service fees paid to Equipsuper Financial Planning Pty Ltd by the Fund during the year (including the amount of GST not recoverable from the ATO) were \$2,042,578 (2017: \$1,781,145). The amounts due and payable at balance date were \$189,921 (2017: \$106,858).

The Fund holds 100% of the controlled entities Equipsuper Holdings Pty Ltd, the South Australia Ports Trust and Equipsuper Growth Alternatives Holdings Pty Ltd. The Fund's investment in these controlled entities is measured at fair value through profit and loss as the Fund elected to adopt the exemption from consolidation afforded by AASB10 for investment entities.

The Fund has transferred money to the Trustee company 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 (2017: \$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.

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 12. Related parties (continued)

#### *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.

### 13. 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.

### 14. Financial risk management objectives and policies

The Fund's principal financial instruments comprise units in unlisted unit trusts, equity securities, annuities, private equity, fixed interest securities, cash and short-term deposits. The main purpose of these financial instruments is to generate a return on investment.

The Fund also enters into derivative transactions, principally fixed interest futures and forward foreign exchange contracts. The main purpose of this is to manage financial risks associated with the Fund's investment transactions, and as a means to effect change in the asset mix. Investments in derivatives are not used to gear the Fund's investment portfolio, and are limited to the asset allocation limits for the underlying investment class.

The Fund also has various other financial instruments such as sundry receivables and payables, which arise directly from its operations and are mainly current in nature.

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.

#### (a) Risk management structure

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.

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 14. Financial risk management objectives and policies (continued)

#### (a) Risk management structure (continued)

The Board has an 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.

The Investment Committee receives bi-monthly reports from the Fund's internal investment manager and, in turn, reports quarterly to the Board of Directors of the Trustee on its activities. Divergence from asset allocations and to the composition of the portfolio is monitored by the Fund's internal investment manager on a daily basis.

The Trustee's Audit, Risk and Compliance Committee oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

Investments of the Fund are held on behalf of the Trustee by National Australia Bank Limited Asset Servicing division, which acts as the global custodian except for 0.23% (2017: 0.51%) of investments which are not held by the custodian. Each fund manager is required to invest the assets managed by it in accordance with the terms of a written mandate.

For the Defined Benefit Division, the Trustee sets the investment objective and strategy, with appropriate allocation to different asset classes within specific ranges. The Trustee receives advice from its investment adviser in making its assessments. The other Divisions of the Fund offer separate investment options providing specific investment objectives and asset allocations with specific ranges. These are detailed in the relevant Product Disclosure Statement.

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.

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. The members' investment option exposure to the investment asset classes of the Fund is outlined in the relevant Product Disclosure Statement.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**14. Financial risk management objectives and policies (continued)**

**(b) Credit risk**

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.

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 (2017: nil). Credit risk is not considered to be significant to the Fund except in relation to investments in debt securities.

***Credit quality per class of debt instrument***

The Fund primarily invests in debt securities which are rated by well-known and industry recognised rating agencies. Investment managers manage the exposure to credit risk by setting minimum grade ratings by investment type and a minimum overall weighted average credit rating in investment mandates. The Fund uses National Australia Bank as its custodian. Other than that relationship, the Fund does not have any significant exposure to any individual counterparty.

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.

**30 June 2018**

	Short term rating		Long term rating					Non-invest ment grade \$000	Not- rated \$000	Total
	A1 \$000	A2 \$000	AAA \$000	AA \$000	A \$000	BBB \$000				
Cash and deposits	1,106,192	-	-	-	-	-	-	-	-	1,106,192
Discount securities	1,239,485	73,091	-	-	-	2,498	-	-	-	1,315,074
Fixed interest securities	2,135	-	569,038	258,151	147,713	116,962	35,641	1,045	-	1,130,685
Indexed securities	-	-	54,715	46,245	17,355	-	-	-	-	118,315
Floating rate notes	4,010	-	19,708	237,748	57,054	86,221	3,561	4,045	-	412,347
Mortgage securities	-	-	211,449	6,628	8,880	3,576	1,011	-	-	231,544
Loans	-	-	-	-	-	925	10,051	23,271	-	34,247
<b>Total other interest bearing securities</b>	<b>1,245,630</b>	<b>73,091</b>	<b>854,910</b>	<b>548,772</b>	<b>231,002</b>	<b>210,182</b>	<b>50,264</b>	<b>28,361</b>	<b>-</b>	<b>3,242,212</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**14. Financial risk management objectives and policies (continued)**

**(b) Credit risk (continued)**

**30 June 2017**

	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	1,025,354	-	-	-	-	-	-	-	<b>1,025,354</b>
Discount securities	643,920	14,338	-	-	-	-	-	-	658,258
Fixed interest securities	-	-	240,540	182,182	166,529	94,051	210,887	1,808	895,997
Indexed securities	-	-	43,330	45,678	2633	1,429	-	-	93,070
Floating rate notes	-	-	42,471	111,767	32,100	51,188	1,935	3,550	243,011
Mortgage securities	-	-	27,668	8,247	6,102	2,523	7,251	341	52,132
Loans	-	-	-	-	-	1,836	17,399	15,290	34,525
<b>Total other interest bearing securities</b>	<b>643,920</b>	<b>14,338</b>	<b>354,009</b>	<b>347,874</b>	<b>207,364</b>	<b>151,027</b>	<b>237,472</b>	<b>20,989</b>	<b>1,976,993</b>

***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:

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Australia	2,721,450	1,252,645
North America	277,557	475,752
Europe	150,728	117,325
Asia	65,105	35,097
Other	27,372	96,174
<b>Total</b>	<b>3,242,212</b>	<b>1,976,993</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**14. Financial risk management objectives and policies (continued)**

**(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 benefits payable to members, payables and current tax 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.

<b>As at 30 June 2018</b>	<b>Carrying Amount \$'000</b>	<b>Less than 1 month \$'000</b>	<b>1-6 months \$'000</b>	<b>&gt;6 months \$'000</b>
<b>Financial liabilities</b>				
Net settled derivatives	15,195	16	-	15,179
Unsettled investment accruals	20,744	20,744	-	-
Other payables	31,229	-	31,229	-
Income tax payable	31,802	-	31,802	-
Member liabilities	14,266,522	14,266,522	-	-
<b>Total financial liabilities</b>	<b>14,365,492</b>	<b>14,287,282</b>	<b>63,031</b>	<b>15,179</b>

<b>As at 30 June 2017</b>	<b>Carrying Amount \$'000</b>	<b>Less than 1 month \$'000</b>	<b>1-6 months \$'000</b>	<b>&gt;6 months \$'000</b>
<b>Financial liabilities</b>				
Net settled derivatives	1,904	-	1,904	-
Unsettled investment accruals	31,361	31,361	-	-
Other payables	11,876	-	11,876	-
Income tax payable	4,857	-	4,857	-
Member liabilities	7,737,394	7,737,394	-	-
<b>Total financial liabilities</b>	<b>7,787,392</b>	<b>7,768,755</b>	<b>18,637</b>	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**14. Financial risk management objectives and policies (continued)**

**(c) Liquidity risk (continued)**

Financial assets that are available in cash or are readily convertible to cash within one business day to meet the above financial liabilities are \$188 million (2017: \$1,315 million).

**(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.

The sensitivity of the statement of financial position is the effect of the assumed changes in interest rates on:

- The interest income for one year, based on the floating rate financial assets held at the balance date; and
- Changes in fair value of investments for the year based on revaluing fixed rate financial assets at the balance date.

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Investments		
Cash and short-term deposits	1,063,754	1,025,354
Other interest bearing securities	3,242,212	1,976,993
	<u>4,305,966</u>	<u>3,002,347</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**14. Financial risk management objectives and policies (continued)**

**(d) Market risk (continued)**

***Interest rate 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	2018		2017	
	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)	(10,825) / 10,841	50 / (50)	(10,895) / 10,899
USD	50 / (50)	(6,201) / 6,207	50 / (50)	(10,178) / 10,186
EUR	50 / (50)	(3,398) / 3,402	50 / (50)	(1,417) / 1,419
GBP	50 / (50)	(7,861) / 7,863	50 / (50)	(5,896) / 5,896
JPY	50 / (50)	(1,789) / 1,790	50 / (50)	(1,132) / 1,133
Others	50 / (50)	(1,886) / 1,887	50 / (50)	(4,970) / 4,973

***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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**14. Financial risk management objectives and policies (continued)**

**(d) Market risk (continued)**

**Currency risk (continued)**

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
United States of America (USD)	1,296,584	896,547
European community (EUR)	100,206	203,362
Great Britain (GBP)	79,971	50,269
Japan (YEN)	19,076	90,191
Other currencies (OTH)	335,680	301,132
<b>Total currency exposure</b>	<b>1,831,517</b>	<b>1,541,501</b>

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	2018		2017	
	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)	29,881 / (24,448)	10 / (10)	51,794 / (42,377)
EUR	10 / (10)	8,831 / (7,226)	10 / (10)	4,806 / (3,933)
GBP	10 / (10)	6,515 / (5,330)	10 / (10)	5,563 / (4,551)
YEN	10 / (10)	2,120 / (1,734)	10 / (10)	14,742 / (12,062)

**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. Equity price risk exposure arises from the Fund's investment portfolio.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**14. Financial risk management objectives and policies (continued)**

**(d) Market Risk (continued)**

***Other price risk (continued)***

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. 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.

Index/benchmark	2018		2017	
	Change in investment price %	Effect on net asset / Investment return \$'000	Change in investment price %	Effect on net asset / Investment return \$'000
<b>Australian and International Equities</b>				
ASX 300	18 / (18)	628,228 / (628,228)	18 / (18)	362,463 / (362,463)
MSCI World ex Australia	16 / (16)	573,112 / (573,112)	16 / (16)	246,475 / (246,475)
<b>Fixed Interest</b>				
Bloomberg AusBond Composite Bond	5 / (5)	111,089 / (111,089)	5 / (5)	55,129 / (55,129)
<b>Cash</b>				
Bloomberg AusBond Bank Bill Index	1 / (1)	22,095 / (22,095)	1 / (1)	13,832 / (13,832)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**15. Fair value of financial instruments**

(a) Classifications of Financial Instruments under the Fair Value Hierarchy

AASB 13 *Fair Value Measurement* required disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- 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.

30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Cash and deposits	1,063,754	-	-	1,063,754
Derivatives	14,592	(31,204)	-	(16,612)
Listed equities	5,661,391	134,415	503	5,796,309
Listed property trusts, Listed unit trusts	412,349	-	-	412,349
Other interest bearing securities	10,046	3,228,948	3,218	3,242,212
Unlisted equities	3,149	79,688	145,558	228,395
Unlisted unit trust	-	4,017,229	160,238	4,177,467
Unlisted partnerships	-	139,118	-	139,118
Annuity	-	1,607	-	1,607
<b>Total investments</b>	<b>7,165,281</b>	<b>7,569,801</b>	<b>309,517</b>	<b>15,044,599</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**15. Fair value of financial instruments (continued)**

30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Cash and deposits	1,025,354			1,025,354
Derivatives	(884)	17,569		16,685
Listed equities	3,323,616	683	3	3,324,302
Listed property trusts, Listed unit trusts	283,689			283,689
Other interest bearing securities	3,002	1,970,766	3,225	1,976,993
Unlisted equities	4,599	418	108,039	113,056
Unlisted unit trust		1,367,546	122,147	1,489,693
Unlisted partnerships		89,065		89,065
Annuity		1,657		1,657
<b>Total investments</b>	<b>4,639,376</b>	<b>3,447,704</b>	<b>233,414</b>	<b>8,320,494</b>

**Valuation technique**

**Other interest bearing securities and unlisted partnerships**

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.

**Listed equities, listed property trusts and listed unit trusts**

When fair values of publically traded equity securities are based on quoted market prices or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Fund values these instruments at bid price for long positions and ask price for short positions.

**Private equity investments and unlisted equities**

The Fund invests in private equity companies which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. 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.

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**15. Fair value of financial instruments (continued)**

**Unlisted unit trusts**

The Fund invests in trusts, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. The Fund's investment managers consider the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Fund classifies these funds as either Level 2 or Level 3.

**Derivatives**

The Fund uses widely recognised valuation models for determining fair value of over-the counter interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. 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 Flinders Ports Holdings valued at \$314m as at 30 June 2018. Of this value, \$308m is reflected in the table above, and \$5.6m and \$3.2m are included in receivables and cash respectively. These investments are managed by the related entity Equisuper Asset Management Pty Ltd (EAM). In this capacity, EAM receives and validates a range of valuations that are produced by an external valuation consultant. The valuation process for these assets then involves The Trustee's Investment Committee reviewing this range of valuations. The Committee then selects what it deems to be the most appropriate valuation to record as the value of the asset.

There were no other changes to valuation techniques during the year.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**15. 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	2018: 3,218 2017: 3,225	Face value#		
Listed equities	2018: 503 2017: 3	Last traded price		
Unlisted equities	2018: 145,558 2017: 108,039	Discounted cashflow method	Discount Rate	9.00%
Unlisted unit trusts	2018: 160,238 2017: 122,147	Discounted cashflow method	Discount Rate	10.50%

Description	Input	Sensitivity used**	Effect on fair value \$000
Unlisted equities	Discount Rate	0.25%	8,686
Unlisted unit trusts	Discount Rate	0.25%	9,562

\*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.

**(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.

	2018 \$'000	2017 \$'000
Opening balance	233,414	188,655
SFT Transfer in		
Total realised/unrealised gains and losses	76,103	44,759
<b>Closing balance</b>	<b>309,517</b>	<b>233,414</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**15. Fair value of financial instruments (continued)**

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

There was an investment of \$503,181 reclassified from Level 1 to Level 3 during the period as a result of delisting of a security (2017: Nil).

**16. 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 within the Growth Alternatives and Defensive Alternatives asset classes.

Commitments contracted for at the reporting date but not recognised as liabilities are expected to be settled as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Within one year	71,912,145	126,416,145
After one year but not later than five years	-	-
More than five years	-	-
	<u>71,912,145</u>	<u>126,416,145</u>

**(b) Contingent liabilities**

There are no contingent liabilities as at 30 June 2018 (2017: \$ Nil).



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**17. Cashflow Statement reconciliation**

	<b>2018 \$000</b>	<b>2017 \$000</b>
Cash and cash equivalents	75,649	30,764
Operating result after income tax	77,858	53,199
Adjustments for:		
Increase/(decrease) in payables	13,455	(701)
(Increase)/decrease in receivables	571	(1,707)
Increase/(decrease) in investment tax timing reserve	15,424	25,153
Increase/(Decrease) in term deposits (> 3 months)	10,045	7,855
Depreciation	255	200
Contributions tax impacting reserves	(2,692)	(1,033)
DB Member funding movement	(80,614)	(69,448)
Self-insurance reserves movement	(509)	(609)
Net allocations from member accounts	(94,976)	(55,629)
Insurance premiums paid	(33,794)	(18,562)
Death and disability benefits received	19,936	10,976
Annuity proceeds	159	157
Other income	73	1082
Investments tax paid	(60,604)	(8,200)
<b>Net cash flows from operating activities</b>	<b>(135,413)</b>	<b>(57,267)</b>

**18. Receivables**

	<b>2018 \$000</b>	<b>2017 \$000</b>
Unsettled investment sales	18,376	15,098
Investment income due and receivable	45,443	27,732
Employer non-member pay receivables	116	95
Prepaid expenses	227	-
Australian taxation office (GST)	84	1,021
Other receivables	-	-
<b>Total</b>	<b>64,246</b>	<b>43,946</b>

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**19. Payables**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Unsettled investment purchases	20,744	31,361
Accounts due and unpaid	25,493	7,582
Administration fee payable to Equisuper Pty Ltd	5,736	4,294
<b>Total</b>	<b>51,973</b>	<b>43,237</b>

**20. Plant and equipment**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Office furniture and equipment at cost	674	531
Computer and information technology equipment at cost	597	417
Leasehold improvements at cost	1,735	1,202
Less accumulated depreciation and impairment losses	(985)	(730)
<b>Total plant and equipment</b>	<b>2,021</b>	<b>1,402</b>

**21. Meeting of Directors of the Trustee Company**

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**21. Meeting of Directors of the Trustee Company (continued)**

The number of Board and Committee meetings attended by each of the Directors during the financial year ended 30 June 2018 was:

Number of meetings during year	Board		Investment Committee		Appeals and Review Committee		Audit, Risk and Compliance Committee		Governance and Rewards Committee		Growth and Development Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
AE J Fairley AM	6	6	-	-	-	-	5	3	4	4	3	3
J Azaris	7	7	-	-	4	4	3	3	2	2	-	-
M N Cerche	7	7	-	-	4	4	-	-	4	4	3	3
M J Clinch	7	7	-	-	4	4	-	-	4	3	-	-
J C Dekker	7	7	5	5	-	-	5	5	-	-	-	-
J S Hickey	7	7	5	5	-	-	2	2	2	2	-	-
P Leary	7	7	-	-	2	2	2	2	2	2	-	-
J Simon	7	7	5	5	2	2	-	-	2	2	-	-
WE Walker	7	6	5	5	-	-	3	3	-	-	3	3

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.

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 21. Meeting of Directors of the Trustee Company (continued)

#### Chair of the Board and Committees

- A.E.J. Fairley AM was elected as Independent Director, became Chair of the Board on 1 January 2009.
- J. Azaris has been the Chair of the Audit, Risk and Compliance Committee from 1 June 2010 to 31 December 2017 and Chair of the Appeals and Review Committee from 1 January 2018 to 30 June 2018.
- M.N. Cerche has been the Chair of the Governance and Rewards Committee from 1 July 2017 to 30 June 2018.
- J.C Dekker has been the Chair of the Audit, Risk and Compliance Committee from 1 January 2018.
- P. Leary has been the Chair of the Appeals and Review Committee from 1 April 2016 to 31 December 2017.
- J. Simon has been the Chair of the Investment Committee from 1 May 2017 to 30 June 2018.
- W.E. Walker has been the Chair of the Growth and Development Committee from 1 January 2018.
- The Growth and Development Committee was established on 23 November 2017 (by Board resolution on 23 November 2017), and held three meetings during the period 1 July 2017 to 30 June 2018.

### 22. Events subsequent to balance date

On 1 July 2017 the Rio Tinto Staff Superannuation Fund (RTSSF) merged with Equipsuper under a successor fund transfer (SFT) deed. 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.

#### Investment Markets

The Fund holds investments in Australian and international listed equities and is consequently exposed to the market risk associated with these investments. Since balance date, Australian and international share markets have experienced an increase in value with the Fund's investments increasing, as at 11 September 2018, by 1.8% overall. Market volatility is a normal characteristic of investment markets.

As the investments are measured at their 30 June 2018 fair values in the financial statements, any subsequent changes in value are not reflected in the Income Statement or the Statement of Financial Position. As the Fund allocates all of its investment income to members, the increase in value of investments has been reflected in the current unit prices, resulting in a corresponding increase in member funds.

There are no 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 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 2018

In the opinion of the Trustee of Equisuper Fund:

1. The accompanying financial statements of the Equisuper Fund are properly drawn up so as to present fairly the financial position of the Fund as at 30 June 2018 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 Equisuper Pty Ltd (Trustee).



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



**J.C. Dekker  
Director**

Melbourne  
20 September 2018



## **Equisuper Superannuation Fund ABN: 33 813 823 017**

### **Report by the RSE Auditor to the trustee and members**

#### **Opinion**

I have audited the financial statements of Equisuper Superannuation Fund ("Equisuper") for the year ended 30 June 2018, comprising the statement of financial position, income statement, statement of changes in member benefits, statement of cash flows and statement of changes in reserves.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Equisuper as at 30 June 2018 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2018.

#### **Basis for Opinion**

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### ***Responsibilities of the Trustee for the Financial Statements***

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



Brett Kallio  
Partner  
Melbourne

20 September 2018