



ABN 56 286 625 181

FINANCIAL STATEMENTS

For the year ended 30 June 2020

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First Super

Statement of Financial Position as at 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|--|------|----------------------|----------------------|
| Assets | | | |
| Cash and Cash Equivalents | 13 | 15,161,631 | 5,009,689 |
| Investments | 7 | 3,133,321,959 | 3,241,889,174 |
| Plant and Equipment | | 703,574 | 170,496 |
| Trade and Other receivables | | 400,400 | 984,058 |
| Current tax asset | | - | 2,208,250 |
| Total assets | | 3,149,587,564 | 3,250,261,667 |
| Liabilities | | | |
| Trade and other payables | | (7,434,876) | (7,523,795) |
| Benefits payable | | (1,431,676) | (95,496) |
| Current tax liabilities | | (6,773,563) | - |
| Deferred tax liability/(asset) | 11 | (33,893,358) | (49,938,075) |
| Total liabilities excluding member benefits | | (49,533,473) | (57,557,366) |
| Net assets available for member benefits | | 3,100,054,091 | 3,192,704,301 |
| Member benefits | | 3,082,146,773 | 3,170,494,779 |
| Total net assets | | 17,907,318 | 22,209,522 |
| Equity | | | |
| Operational Financial Risk Reserve | | (8,409,152) | (8,444,531) |
| Administration Reserve | | (9,099,070) | (13,259,932) |
| Undistributed Earnings | | (399,096) | (505,059) |
| Total equity | 10 | (17,907,318) | (22,209,522) |

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

First Super**Income Statement for the year ended 30 June 2020**

| | Note | 2020 \$ | 2019 \$ |
|---|------|---------------------|---------------------|
| Superannuation activities | | | |
| Interest income - via custodian | | 5,246,050 | 10,783,959 |
| Dividends and distributions | | 122,037,331 | 145,657,081 |
| Other income | | 2,251,949 | 1,804,019 |
| Net changes in assets measured at fair value | 6 | (164,395,507) | 65,696,395 |
| Total superannuation activities revenue | | (34,860,177) | 223,941,454 |
| Direct investment expenses | | (3,198,614) | (3,136,233) |
| Other investment expenses | | (1,766,966) | (1,697,733) |
| Administration expenses | | (11,816,922) | (11,790,120) |
| Other operating expenses | 12 | (2,490,205) | (2,454,936) |
| Total expenses | | (19,272,707) | (19,079,022) |
| Results from superannuation activities before income tax expense | | (54,132,884) | 204,862,432 |
| Income tax (expense)/benefit | 11 | 16,041,453 | (15,536,317) |
| Results from superannuation activities after income tax expense | | (38,091,431) | 189,326,115 |
| Less: Net benefits (allocated to)/deducted from members' accounts | | 33,785,877 | (189,880,691) |
| Operating result after income tax | | (4,305,554) | (554,576) |

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

First Super**Statement of Changes in Member Benefits for the year ended 30 June 2020**

| | 2020 \$ | 2019 \$ |
|--|----------------------|----------------------|
| Opening balance of member benefits | 3,170,494,779 | 2,951,636,858 |
| Contributions: | | |
| Employer contributions | 153,874,490 | 149,506,591 |
| Member contributions | 14,481,350 | 13,342,063 |
| Downsizer contributions | 825,000 | 1,119,147 |
| Transfers from other funds | 91,330,854 | 71,017,802 |
| Government Co-contributions and Low income super contributions | 1,534,495 | 1,696,803 |
| Income tax on contributions | (23,497,648) | (22,457,917) |
| Net after tax contributions | <u>238,548,541</u> | <u>214,224,489</u> |
| Benefits to members | (294,033,308) | (176,851,964) |
| Insurance premiums charged to members accounts | (18,686,712) | (24,828,124) |
| Death and disability benefits credited to members' accounts | 19,609,350 | 16,428,800 |
| Anti-detriment | - | 4,029 |
| Benefits allocated to/(deducted from) members' accounts, comprising: | | |
| Net investment income | (28,259,477) | 196,175,478 |
| Administration fees | (5,526,400) | (6,294,787) |
| | <u>(326,896,547)</u> | <u>4,633,432</u> |
| Closing balance of members benefits | <u>3,082,146,773</u> | <u>3,170,494,779</u> |

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

First Super**Statement of Changes in Equity****For the year ended 30 June 2020**

| | Opening balance \$ | Profit/(loss) for year \$ | Other (insurance, anti- detriment) \$ | Net transfers to/(from) reserve \$ | Total Equity \$ |
|------------------------------------|--------------------------|---------------------------------|--|--|--------------------|
| Unallocated surplus/deficiency | - | (4,305,553) | - | 4,305,553 | - |
| Operational Financial Risk Reserve | 8,444,531 | - | - | (35,379) | 8,409,152 |
| Administration Reserve | 13,259,932 | - | 3,348 | (4,164,210) | 9,099,070 |
| Undistributed Earnings | 505,059 | - | - | (105,963) | 399,096 |
| | <u>22,209,522</u> | <u>(4,305,553)</u> | <u>3,348</u> | <u>-</u> | <u>17,907,318</u> |

For the year ended 30 June 2019

| | Opening balance \$ | Profit/(loss) for year \$ | Other (insurance, anti- detriment) \$ | Net transfers to/(from) reserve \$ | Total Equity \$ |
|------------------------------------|--------------------------|---------------------------------|--|--|--------------------|
| Unallocated surplus/deficiency | - | (554,576) | - | 554,576 | - |
| Operational Financial Risk Reserve | 7,979,146 | - | - | 465,385 | 8,444,531 |
| Administration Reserve | 14,554,605 | - | 11,888 | (1,306,561) | 13,259,932 |
| Undistributed Earnings | 218,459 | - | - | 286,600 | 505,059 |
| Regulatory Reserve | - | - | - | - | - |
| | <u>22,752,210</u> | <u>(554,576)</u> | <u>11,888</u> | <u>-</u> | <u>22,209,522</u> |

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

First Super**Statement of Cash Flows for the year ended 30 June 2020**

| | Note | 2020 \$ | 2019 \$ |
|--|-----------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Interest received | | 21,529 | 71,357 |
| Proceeds from group life policies | | 19,609,350 | 16,428,800 |
| Group life premiums paid | | (19,111,237) | (25,451,397) |
| Administration expenses paid | | (13,763,067) | (13,563,571) |
| Investment expenses paid | | (1,793,921) | (1,719,542) |
| Income tax received/(paid) | | (4,651,182) | (14,162,351) |
| Net cash outflows from operating activities | 14 | <u>(19,688,528)</u> | <u>(38,396,704)</u> |
| Cash flows from investing activities | | | |
| Purchase of investments | | (31,500,000) | (40,000,000) |
| Sale of investments | | 101,978,393 | 31,188,589 |
| Payments for fixed assets and other items | | (49,036) | (90,886) |
| Net cash inflows/(outflows) from investing activities | | <u>70,429,357</u> | <u>(8,902,297)</u> |
| Cash flows from financing activities | | | |
| Employer contributions received | | 153,874,490 | 149,506,590 |
| Member contributions received | | 16,840,845 | 16,158,013 |
| Transfers from other funds | | 91,330,854 | 71,017,802 |
| Benefits paid | | (273,087,778) | (161,017,444) |
| Group life proceeds paid to members | | (19,590,150) | (15,327,400) |
| Lease payments for rent | | (89,231) | - |
| Income tax paid on contributions received | | (9,867,917) | (13,597,437) |
| Net cash inflows/(outflows) from financing activities | | <u>(40,588,887)</u> | <u>46,740,124</u> |
| Net increase/(decrease) in cash | | 10,151,942 | (558,877) |
| Cash at the beginning of the financial year | | 5,009,689 | 5,568,566 |
| Cash at the end of the financial year | | <u>15,161,631</u> | <u>5,009,689</u> |

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

First Super

Notes to the Financial Statements

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Notes to the Financial Statements

1 General information

First Super (the "Fund") is a superannuation fund domiciled in Australia. The address of the Fund's registered office is Level 2, 165 Bouverie Street, Carlton VIC 3053. The Fund was established by a Trust Deed dated 25 March 1985, as amended.

For the purposes of the Superannuation Industry (Supervision) Act 1993 and its Regulations, the Fund is a defined contribution and pension fund.

The Fund provides retirement benefits for its members which are in the forest and wood products industry.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993, the Fund was registered with the Australian Prudential Regulation Authority on the 9th June 2006 (registration no. R106735).

The Trustee of the Fund is First Super Pty Ltd (RSE No L0003049).

The financial statements were authorised for issue by the Board of Directors of the Trustee on 23 September 2020.

Coronavirus (COVID-19 impact)

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets. On 22 March 2020 the federal government announced a temporary measure due to the effects of coronavirus on the economy. This new rule allowed individuals to access up to \$10,000 of their superannuation in 2019/20 and a further \$10,000 in 2020/21. For the year ended 30 June 2020 the Fund paid out \$60,482,940 in benefits to members seeking early access to their super.

The Trustee has considered the impact of COVID-19 and other market volatility in preparing its financial statements. While the specific areas of judgement as noted in Note 2 below, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19 as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Fund's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

The impact of COVID-19 on the macro-economic outlook, including an explanation of the matters considered in determining the Fund's assumptions for the purpose of Level 3 investments has been provided in Note 2 below to the financial statements.

Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, these matters represent reasonable and supportable forward-looking views as at the reporting date.

Consideration of the statements of financial position and further disclosures

Key statements of financial position items and related disclosures that have been impacted by COVID-19 were as follows:

Investments

Given recent market volatility, the Trustee reviewed the appropriateness of the inputs to its valuations as well as performing out of cycle valuations. The impact of changes in valuation inputs has also been considered in terms of the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the Level 3 sensitivity analysis. The Fund's financial investments include a portfolio of unlisted equity investments which, in accordance with the Fund's accounting policies, are measured at FVTPL. The determination of the investments' carrying value included a consideration of the impact of COVID-19. Refer to Note 2 for more information.

Recoverability of Deferred Tax Balances

In assessing whether a deferred tax asset can be recognised and given the macro-economic conditions arising from COVID-19 existed at the reporting date, the Trustee has ensured the projections of future taxable earnings is robust and based on reasonable assumptions regarding the Fund's future investment performance and taxable contribution levels.

Risk management

The Trustee's robust risk management framework continues to be applied across the Funds operations and the Trustee continues to monitor the impact of COVID-19 on the Fund's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Trustee's risk management framework.

Due to COVID-19 the Trustee sees the need for liquidity as being driven by a range of interconnected factors, including:

- Decreased contributions from members and employers;
- Increased outflows from the Government's early access to superannuation provisions;
- Managing foreign currency hedging programs (including necessary liquidity to respond to any margin call requirements); and
- Members shifting into cash or defensive investment options.

The management of liquidity risk is a key element of our investment process. Our approach to managing liquidity is outlined in a series of policies which are approved by the Trustee and implemented by Management. We're focused on the effects of the global COVID-19 pandemic and are monitoring it as it unfolds, specifically:

- we actively manage each Investment Option in line with its long-term investment strategy;
- we continue to monitor and respond to global investment markets
- we manage the Fund's cash flow on a daily basis
- we prepare for events that may affect our liquidity position
- we stress-test the portfolio for a range of possible scenarios

Notes to the Financial Statements

2 Summary of significant accounting policies

Unless covered in other notes to the financial statements, the principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies adopted are consistent with those of the prior year unless otherwise stated.

(a) Basis of preparation

The financial statement is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 1056, other applicable Accounting Standards, and the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial investments, derivatives and net assets available for member benefits.

(b) Financial instruments

(i) Classification

The Fund's investments are classified as at fair value through the income statement in accordance with AASB 1056.

Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification.

Financial assets that are not held for investment purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts and commercial paper.

These investments are managed and their performance is evaluated on a fair values basis in accordance with the Fund's investment strategy.

(ii) Recognition/derecognition

Financial assets and financial liabilities are recognised on the date the Fund becomes party to the contractual agreement (trade date) and changes in the fair value of the financial assets or financial liabilities are recognised from this date.

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

(iii) Measurement

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

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

For further details on how the fair values of financial instruments are determined refer to note 4.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability at the same time.

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from investing activities as movements in the fair value of these securities represent the Fund's main income generating activity.

(d) Revenue recognition

Interest income from financial instruments that are held at fair value is determined based on the contractual coupon interest rate and includes interest from cash and cash equivalents.

Dividend and trust distribution income is recognised gross of withholding tax in the period in which the Fund's right to receive payment is established.

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(e) Foreign currency translation

The functional and presentation currency of the Fund is Australian dollars (\$).

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the rate of exchange ruling at that date.

Foreign exchange differences arising on the translation 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.

(f) Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount. The receivable is recognised inclusive of any GST and is not discounted.

(g) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Benefits paid/payable

Benefits paid/payable are valued at the amounts due to members at reporting date. Benefits paid/payable comprise pensions accrued at balance date and lump sum benefits of members who are due a benefit but had not been paid at balance date.

(i) Contributions received and transfers from other funds

Contributions received and transfers from other funds are recognised in the statement of changes in member benefits when control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.

(j) Use of estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to note 4 for details.

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(k) New and amended standards adopted by the Fund

AASB 16 Leases

The Fund adopted this standard from its mandatory adoption date for the reporting period on or after 1 January 2019. The Fund elected to adopt the modified retrospective #1 approach in transitioning to the standard which means that there is no restatement of comparative information.

a) Changes to accounting

i) In general

For a qualifying lease, the Fund now recognise a right of use asset and lease liability based on the present value of future lease payments which excludes payments of a variable nature.

The Fund believe that the only applicable lease is the sub-lease held for the Fund's office in Carlton, Victoria.

The nature and structure of this lease is such that the interest rates implicit in the lease are not readily determinable. Based on management's assessment, the Fund used an Incremental Borrowing Rate (IBR) to discount the future value of lease payments. The IBR denotes the rate of interest that a lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to purchase an asset of a similar value to the right of use asset in a similar economic environment.

Lease payments (excluding payments for short-term, low-value and variable consideration leases), previously expensed within the Income Statement on a straight-line basis, now reduce the lease liability. The straight-line depreciation of the right of use asset is now expensed within the Income Statement. As the lease liability is carried at present value, an interest expense arises over the duration of the lease term.

The principal component of lease payments is reclassified in the statement of cash flows from operating to financing activities.

ii) Transition

In adopting this standard, the opening lease liability balance has been determined as the present value of future lease payments discounted using the applicable IBR, for terms which approximate the remaining lease term as at 1 July 2019.

The opening right of use assets' balance has been determined as follows:

— for the Fund's current property lease, as the present value of committed lease payments since commencement of the lease, less cumulative straight-line depreciation and utilising 1 July 2019 discount rates for durations equivalent to the remaining lease term

The following practical expedients, allowed by the standard, were used:

- exclusion of leases with remaining terms of less than 12 months, from the new accounting requirements
- application of a single discount rate to each portfolio of leases with reasonably similar characteristics
- use of hindsight to determine the lease term for leases that include options to extend or terminate the lease.

The weighted average IBR applied to lease liabilities on 1 July 2019 was 3.263%. The rate was determined using the 90 day Bank Bill Swap Rate plus borrowing margin as advised by the Fund's bank, National Australia Bank. Management believe this to be a fair and reasonable estimate.

Determination of the lease term is a key judgement exercised by management on a recurring basis. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The current lease is for a period of three years with a two year option to extend. Management believe it is appropriate to recognise the lease over a five year period as it is reasonably certain to not be terminated. The Fund has elected to include the extension option at the existing final year rate of the lease.

b) Financial impacts

The impacts on the financial statements and notes as at and for the year ended 30 June 2020 are shown throughout this report. At the date of transition, the new standard resulted in the following increases:

Statement of Financial Position as at 1 July 2019

| | |
|---------------------|-----------|
| Right of use assets | \$715,119 |
| Lease liabilities | \$715,119 |

A reconciliation of total operating lease commitments as at 1 July 2019 (as disclosed in our 2020 financial statements) to the opening lease liability, as above, is shown below:

Opening lease liability reconciliation

Operating lease commitments as at 1 July 2019 payable:

| | |
|---|-----------|
| — within one year | \$155,124 |
| — later than one year but not later than five years | \$617,241 |
| — later than five years | \$nil |

Impact of discounting

\$772,365

Other factors

(\$57,246)

Lease liability as at 1 July 2019

\$nil

\$715,119

The Fund's income statement was not altered. Under the new standard, lease expenses are recognised in the income statement and comprise depreciation of right of use assets and interest expenses arising from lease liabilities.

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(k) New and amended standards adopted by the Fund (continued)

AASB Interpretation 23 Uncertainty over income tax treatments (IFRIC 23)

IFRIC 23 clarifies the application of recognition and measurement requirements of AASB 112 Income Taxes where there is uncertainty over income tax treatments. The Interpretation specifically addresses:

- whether an entity considers uncertain tax treatments separately;
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probably that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty; and,
- that the new judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Fund has assessed the impact of IFRIC 23 on the financial statements. The assessment concluded that the Interpretation did not have any material impact on the Fund's financial statements. Consequently, no retrospective adjustment is required.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the current or prior periods or that will effect future periods.

(l) New and amended standards not yet adopted by the Fund

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

3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Fund has an Investment Governance Statement and Manual (IGS) established by the Trustee. The IGS sets out the Trustee's policies and procedures for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

(a) Market risk

(i) Price risk

The Fund is exposed to equity securities and derivative price risk. These arise from investments held by the Fund for which prices in the future are uncertain.

The Trustee mitigates price risk through diversification and a careful selection of securities and the use of defensive hedges to manage the Fund's exposure to price risk. Compliance with the IGS and supporting investment guidelines are monitored by the Trustee on a regular basis.

At 30 June, the fair value of equities and related derivatives exposed to price risk were as follows:

| | 2020 | 2019 |
|----------------------------|----------------------|----------------------|
| | \$ | \$ |
| Equities | 937,139,073 | 1,028,296,831 |
| Property | 306,528,956 | 320,224,427 |
| Infrastructure | 386,725,338 | 373,152,901 |
| Mandates | 505,759,355 | 575,141,690 |
| Net exposure to price risk | <u>2,136,152,722</u> | <u>2,296,815,849</u> |

(ii) Foreign exchange risk

The Fund operates internationally and has assets and liabilities denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value securities denominated in foreign currencies will fluctuate due to changes in exchange rates.

The Fund's policy is to economically hedge a portion of the direct foreign currency exposure on the financial assets and liabilities using forward foreign exchange contracts. Compliance with the Fund's hedging policy is monitored by the Trustee on a regular basis.

The table below summarises the Fund's financial assets and liabilities which are denominated in foreign currencies.

| | 2020 | | 2019 | |
|---------------------------------------|------------------|----------------|------------------|----------------|
| | US dollars | Euro | US dollars | Euro |
| | \$ | € | \$ | € |
| Cash and cash equivalents | 2,399,141 | 95,916 | 1,452,407 | - |
| Investments | 3,013,343 | 571,145 | 3,261,117 | 611,702 |
| Net exposure to foreign exchange risk | <u>5,412,484</u> | <u>667,061</u> | <u>4,713,524</u> | <u>611,702</u> |

Notes to the Financial Statements

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed interest rates expose the Fund to fair value interest rate risk.

The table below summarises the Fund's direct exposure to interest rate risk including the Fund's use of interest rate swap contracts which are used to manage exposure to interest rate risk.

| | 2020 | | |
|---|------------------------|---------------------|--------------------|
| | Floating interest rate | Fixed interest rate | Total |
| Financial assets | | | |
| Cash and cash equivalents | 15,161,631 | - | 15,161,631 |
| Investments | 645,267,954 | 303,386,821 | 948,654,775 |
| Net exposure to interest rate risk | 660,429,585 | 303,386,821 | 963,816,406 |

| | 2019 | | |
|---|------------------------|---------------------|--------------------|
| | Floating interest rate | Fixed interest rate | Total |
| Financial assets | | | |
| Cash and cash equivalents | 5,009,689 | - | 5,009,689 |
| Investments | 645,267,954 | 303,386,821 | 948,654,775 |
| Net exposure to interest rate risk | 650,277,643 | 303,386,821 | 953,664,464 |

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to members to interest rate risk, foreign exchange risk and price risk. The reasonably possible movements in the risk variables have been based on the Trustee's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market volatility. Actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

| | Price risk | | Foreign exchange risk | | | | Interest rate risk | |
|-------------|---------------------------------------|-------------------|-----------------------|------------|-------------|-------------|--------------------|------------|
| | Impact on operating profit before tax | | | | | | | |
| | -19.4% MSCI Index | +39.9% MSCI Index | -16.8% USD | +16.8% USD | -16.8% Euro | +16.8% Euro | -75 bps | +175 bps |
| 2020 | (414,413,628) | 852,324,936 | (909,297) | 909,297 | (112,066) | 112,066 | (7,228,623) | 16,866,787 |
| | -14.4% MSCI Index | +30.5% MSCI Index | -16.8% USD | +16.8% USD | -16.8% Euro | +16.8% Euro | -175 bps | +175 bps |
| 2019 | (330,741,482) | 700,528,834 | (791,872) | 791,872 | (102,766) | 102,766 | (16,689,128) | 16,689,128 |

Notes to the Financial Statements

3 Financial risk management (continued)

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The main credit risks, to which the Fund is exposed, arises from the Fund's investment in interest bearing securities. The Fund is also exposed to credit risk on derivative financial instruments, cash and cash equivalents and other receivables. The Trustee monitors the Fund's credit risk exposure on a regular basis.

(i) Fixed interest securities

The Fund invests in fixed interest securities which are rated by Standard & Poor's via the Fund's custodian. An analysis of interest bearing securities by rating is set out in the following table.

| Rating | 2020 \$ | 2019 \$ |
|------------|--------------------|--------------------|
| AAA to AA- | - | - |
| AA+ to AA- | - | - |
| A+ to A- | - | - |
| BBB+ to B- | 228,777,716 | 228,185,575 |
| Unrated | - | 661,755 |
| | <u>228,777,716</u> | <u>228,847,330</u> |

(ii) Derivative financial instruments

The Trustee has established limits such that, less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty. The Fund also restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements as set out in note 5.

(iii) Settlement of securities transactions

All transactions in listed securities are settled for upon delivery using brokers approved by the Trustee. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment.

(iv) Cash and cash equivalents

The Fund's exposure to credit risk for cash and cash equivalents is considered low as all counterparties have a rating of AA- (as determined by Standard & Poor's) or higher (2019: AA-).

(v) Assets in custody

The clearing and depository for the Fund's security transactions are concentrated with one counterparty, namely BNP Paribas Securities Services, Australia branch (ARBN 87 149 440 291). BNP Paribas Securities Services is part of the global BNP Paribas group. BNP Paribas SA had a long term credit rating of A+ at 30 June 2020 (2019: A+).

(vi) Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

Notes to the Financial Statements

3 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations to members or counterparties in full as they fall due or can only do so on terms that are disadvantageous.

The Fund is obligated to pay member benefits upon request. The Trustee's policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange.

(i) Maturities of financial liabilities

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

| 2020 | Less Than 1 Month \$ | 1-3 Months \$ | 3-6 Months \$ | 1-2 years \$ | Total \$ |
|---|----------------------------|------------------|------------------|-----------------|---------------|
| Non-derivatives | | | | | |
| Due to brokers - payable for securities purchased | 1,128,041 | - | - | - | 1,128,041 |
| Benefits payable | 1,431,676 | - | - | - | 1,431,676 |
| Other payables | 6,869,511 | - | - | - | 6,869,511 |
| Defined contribution member liabilities | 3,082,146,773 | - | - | - | 3,082,146,773 |
| Derivatives | | | | | |
| Net settled derivatives | - | 8,630 | - | - | 8,630 |
| | 3,091,576,001 | 8,630 | - | - | 3,091,584,631 |

| 2019 | Less Than 1 Month \$ | 1-3 Months \$ | 3-6 Months \$ | 1-2 years \$ | Total \$ |
|---|----------------------------|------------------|------------------|-----------------|---------------|
| Non-derivatives | | | | | |
| Due to brokers - payable for securities purchased | 2,809,300 | - | - | - | 2,809,300 |
| Benefits payable | 95,496 | - | - | - | 95,496 |
| Other payables | 6,908,218 | - | - | - | 6,908,218 |
| Defined contribution member liabilities | 3,170,494,779 | - | - | - | 3,170,494,779 |
| Derivatives | | | | | |
| Net settled derivatives | - | 6,500 | - | - | 6,500 |
| | 3,180,307,793 | 6,500 | - | - | 3,180,314,293 |

4 Fair value measurement

Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values fixed interest securities held by the Fund using broker quotes, units in unit trusts using the unit price provided by the underlying fund manager and OTC derivatives using valuation models.
- Level 3: one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values units in unit trusts classified as level 3 using the unit price provided by the underlying fund manager. These unit trusts hold illiquid investments such as unlisted property and private equity.

Notes to the Financial Statements

4 Fair value measurement (continued)

Fair value hierarchy (continued)

Recognised fair value measurements

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

| 2020 | Level 1 | Level 2 | Level 3 | Total |
|--|-------------|---------------|-------------|---------------|
| Investments | | | | |
| Australian Equities | | | | |
| Listed Equities | 7,024,474 | 112,710,476 | - | 119,734,950 |
| Private Equity | 2,419 | 111,684,626 | 86,640,296 | 198,327,341 |
| International Equities | | | | - |
| International Share funds | 9,181,765 | 605,007,264 | - | 614,189,029 |
| International Private Equity | 994,633 | 3,892,278 | 843 | 4,887,754 |
| Property Funds | 3,219,309 | 303,309,647 | - | 306,528,956 |
| Australian Infrastructure | - | - | 211,260,799 | 211,260,799 |
| International Infrastructure | - | - | 175,464,539 | 175,464,539 |
| Fixed Interest | - | 620,924,316 | - | 620,924,316 |
| Cash Portfolio | 113,351,951 | 262,892,969 | - | 376,244,920 |
| Eley Griffiths Small Companies Mandate | 70,203,163 | - | 501,409 | 70,704,572 |
| IFM Australian Equities Mandate | 242,843,772 | - | - | 242,843,772 |
| Perpetual Australian Equities Mandate | 189,815,268 | - | - | 189,815,268 |
| IFM Australian Credit Mandate | 2,075,223 | - | 320,520 | 2,395,743 |
| Total investments | 638,711,977 | 2,020,421,576 | 474,188,406 | 3,133,321,959 |

| 2019 | Level 1 | Level 2 | Level 3 | Total |
|--|-------------|---------------|------------|---------------|
| Investments | | | | |
| Australian Equities | | | | |
| Listed Equities | - | 176,444,491 | - | 176,444,491 |
| Private Equity | 151 | 123,165,764 | 88,335,586 | 211,501,501 |
| International Equities | | | | |
| International Share funds | 3,027,218 | 631,871,373 | - | 634,898,591 |
| International Private Equity | 1,387,287 | 4,064,962 | - | 5,452,249 |
| Property Funds | 1,425,112 | 318,738,652 | 60,663 | 320,224,427 |
| Australian Infrastructure | - | 207,628,526 | - | 207,628,526 |
| International Infrastructure | - | 165,524,374 | - | 165,524,374 |
| Fixed Interest | - | 609,294,457 | - | 609,294,457 |
| Cash Portfolio | 104,014,947 | 231,763,921 | - | 335,778,868 |
| Eley Griffiths Small Companies Mandate | 75,627,420 | - | - | 75,627,420 |
| IFM Australian Equities Mandate | 277,859,813 | - | - | 277,859,813 |
| Perpetual Australian Equities Mandate | 218,073,006 | - | - | 218,073,006 |
| IFM Australian Credit Mandate | 62,048 | 2,828,203 | 691,200 | 3,581,451 |
| Total investments | 681,477,002 | 2,471,324,723 | 89,087,449 | 3,241,889,174 |

Notes to the Financial Statements

4 Fair value measurement (continued)

Movement in level 3 investments

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

| | 2020 | 2019 |
|--|--------------------|-------------------|
| | \$ | \$ |
| Opening balance | 89,087,449 | 80,455,193 |
| Purchases | 2,000,000 | - |
| Sales | (60,663) | - |
| Transfers between levels in the fair value hierarchy | 387,234,644 | 60,663 |
| Change in fair value | (4,073,024) | 8,571,593 |
| Closing balance | <u>474,188,406</u> | <u>89,087,449</u> |

Valuation inputs and relationships to fair value

The Fund's level 3 investments comprise shares in unlisted private companies. The following table summarises the quantitative information about the significant unobservable inputs used by the Trustee in level 3 fair value measurements.

| | Description | Fair value at 30 June | Unobservable inputs | Relationship of unobservable inputs to fair value |
|------|--|-----------------------|---------------------|---|
| | | \$ | | |
| 2020 | Unlisted private equity and infrastructure | 474,188,406 | Redemption price | Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by \$47,418,841 |
| 2019 | Unlisted private equity | 89,087,449 | Redemption price | Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by \$8,908,745 |

Valuation process

The Trustee reviews valuations of the financial instruments required for financial reporting purposes, including level 3 fair values. Changes in level 2 and 3 fair values are analysed at each reporting date by the Trustee.

5 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. These amounts form part of the investment value recorded on the Statement of Financial Position. The table below shows the fair value and notional principal amount of derivative financial instruments. The fair value of derivatives shown represents the amount of unrealised gains and losses, whereas the notional amount is an aggregate exposure of all contracts.

| Derivative Types | 2020 | | | 2019 | | |
|------------------|------------|-------------|-------------------------------|------------|-------------|-------------------------------|
| | Fair Value | | Contract / Notional Amount | Fair Value | | Contract / Notional Amount |
| | Assets | Liabilities | | Assets | Liabilities | |
| | \$ | \$ | \$ | \$ | \$ | |
| Equity Futures | 8,630 | | 736,500 | 6,500 | - | 655,900 |
| Total | 8,630 | - | 736,500 | 6,500 | - | 655,900 |

6 Net changes in financial assets and liabilities measured at fair value:

| | 2020 | 2019 |
|--|----------------------|-------------------|
| | \$ | \$ |
| Australian Equities | (69,227,583) | 4,063,470 |
| International Equities | 5,941,715 | 24,406,371 |
| Property Funds | (22,582,447) | (1,253,081) |
| Australian Infrastructure | (4,379,658) | 15,144,867 |
| International Infrastructure | 6,648,635 | (2,152,362) |
| Fixed Interest | (8,883,831) | 15,496,059 |
| Cash Portfolio | (223,066) | (1,500,378) |
| Eley Griffiths Small Companies Mandate | (5,570,297) | (103,379) |
| IFM Australian Equities Mandate | (30,110,812) | 8,229,706 |
| Perpetual Australian Equities Mandate | (35,590,268) | 3,414,070 |
| IFM Australian Credit Mandate | (417,895) | (48,948) |
| Total | <u>(164,395,507)</u> | <u>65,696,395</u> |

Notes to the Financial Statements

7 Structured entities and investments

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

The Fund considers all investments in managed investment schemes (funds) to be structured entities. The Fund invests in underlying managed funds for the purpose of capital appreciation and or earning investment income.

The investee funds' objectives are to achieve medium to long term capital growth. The investee funds invest in a number of different financial instruments, including equities and debt instruments.

The exposure to investments in investee funds at fair value, by investment class, is disclosed below:

| | Fair value of investment | Fair value of investment |
|--|-----------------------------|-----------------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Australian Equities | | |
| - Listed Equities | 119,734,950 | 176,444,491 |
| - Private Equity | 198,327,341 | 211,501,501 |
| International Equities | | |
| - International Share Funds | 614,189,027 | 634,898,591 |
| - International Private Equity | 4,887,754 | 5,452,249 |
| Property Funds | 306,528,956 | 320,224,427 |
| Australian Infrastructure | 211,260,799 | 207,628,526 |
| International Infrastructure | 175,464,540 | 165,524,374 |
| Eley Griffiths Small Companies Mandate | 70,704,572 | 75,627,420 |
| IFM Australian Equities Mandate | 242,843,772 | 277,859,813 |
| Perpetual Australian Equities Mandate | 189,815,268 | 218,073,006 |
| IFM Australian Credit Mandate | 2,395,743 | 3,581,451 |
| | <u>2,136,152,722</u> | <u>2,296,815,849</u> |

The Fund also holds additional investments in cash and term deposits which are not classified as investee funds. The exposure to these assets, by investment class, is disclosed below:

| | | |
|---|----------------------|----------------------|
| Fixed Interest | 620,924,317 | 609,294,457 |
| Cash | 376,244,920 | 335,778,868 |
| | <u>997,169,237</u> | <u>945,073,325</u> |
| <i>Total investments held under custody</i> | <u>3,133,321,959</u> | <u>3,241,889,174</u> |

The fair value of the above financial assets is recorded as investments on the Statement of Financial Position.

The Fund's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in the investee funds.

During the year ended 30 June 2020, total losses incurred on investments in investee funds were \$164,395,507(2019: gain \$65,696,395).

During the year the Fund earned fair value gains and distribution income as a result of its interests in other funds.

8 Member liabilities

Recognition and measurement of member liabilities

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

Defined contribution member account balances are measured using crediting rates determined by the Trustee based on the underlying investment option values selected by members.

The defined contribution members bear the investment risk relating to the underlying investment options. The crediting rates used to measure defined contribution member liabilities are updated weekly for movements in investment values and credited to members either annually or upon exiting the Fund.

Notes to the Financial Statements

9 Insurance arrangements

The Fund provides death and disability benefits to its members. The Trustee has a group policy in place with a third party insurance company to insure these death and disability benefits for the members of the Fund.

The Fund collects premiums from members on behalf of the insurance company. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to members accounts and reinsurance recoveries allocated are recognised in the statement of changes in members benefits.

The Trustee determined that the Fund is not exposed to material insurance risk because:

- members (or their beneficiaries) will only receive insurance benefits if the external insurer pays the claim
- insurance premiums are only paid through the Fund for administrative reasons, and
- insurance premiums are effectively set directly by reference to premiums set by an external insurer.

10 Reserves

(a) Operational risk financial reserve

Under APRA Prudential Standards SPS 114; Operational Risk Financial Requirements (ORFR), the Fund is required to maintain an ORFR reserve of at least 0.24% of the Funds assets. However, the Fund's approved target level under their ORFR policy is 0.30% of funds under management. The ORFR reserve is part of the financial management of the Fund and is operated in accordance with Operational Risk Reserve Policy which is reviewed annually. The ORFR may be used in certain circumstances to address operational risk events or claims against the fund arising from operational risk.

(b) Fund reserves

The Trustee maintains a reserve for administration and operational purposes, such as paying costs and receiving investment income. The undistributed earnings reflect the difference between the cumulative amount of investment income (net of investment expenses) allocated to members' accounts compared with the cumulative investment income (net of investment expenses) earned by the Fund.

11 Income tax

(a) Accounting policy

Under the Income Tax Assessment Act, the Fund is a complying superannuation fund. As such, a concessional tax rate of 15% is applied on net investment earnings with deductions allowable for administrative and operational expenses. Financial assets held for less than 12 months are taxed at the Fund's rate of 15%. For financial assets held for more than 12 months, the Fund is entitled to a further discount on the tax rate leading to an effective tax rate of 10% on any gains/(losses) arising from the disposal of investments.

Current tax is the expected tax payable on the estimated taxable income for the current year based on the applicable tax rate adjusted for instalment payments made to the ATO during the year and by changes in deferred tax assets and liabilities attributable to temporary differences.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

| (b) Income tax expense | 2020 | 2019 |
|---|---------------------|-------------------|
| | \$ | \$ |
| Current Tax Expense | | |
| Current year | (2,078,531) | (3,494,339) |
| Under/(Over) provision from prior periods | 2,081,795 | 4,506,392 |
| Deferred Tax Expense | | |
| Movement in temporary differences | (16,044,717) | 14,524,264 |
| Total income tax expense/(benefit) | <u>(16,041,453)</u> | <u>15,536,317</u> |

Notes to the Financial Statements

| 11 | Income tax (continued) | 2020 \$ | 2019 \$ |
|-----|--|---------------------|---------------------|
| (c) | Reconciliation of income tax expense to prima facie tax payable | | |
| | Profit before income tax | (54,132,884) | 204,862,432 |
| | Prima facie tax at the complying superannuation fund tax rate of 15% | (8,119,933) | 30,729,365 |
| | Differences between Tax and Accounting arising in Prior Periods | 2,081,795 | 4,506,392 |
| | Insurance premium deduction | (2,802,504) | (3,721,831) |
| | Franking and foreign tax credits | (10,921,715) | (17,248,077) |
| | Non Assessable Investment Income | 3,720,904 | 1,270,468 |
| | Income tax expense/(benefit) | (16,041,453) | 15,536,317 |
| | Income tax expense - investments | (11,307,471) | 21,204,866 |
| | Income tax benefit - administration | (4,733,982) | (5,668,549) |
| | | (16,041,453) | 15,536,317 |
| | In addition to the above, \$23,497,324 (2019: \$22,457,917) is recognised in the statement of changes in members benefits relating to tax on contributions and no-TFN tax deducted from member accounts. | | |
| (d) | Deferred tax balances | | |
| | Deferred tax asset relates to the following: | | |
| | Accrued expenses & provisions | 81,428 | 126,210 |
| | Annual and long service leave | 58,848 | 61,512 |
| | Insurance premiums | 207,215 | 271,396 |
| | Deferred Tax Asset | 347,491 | 459,118 |
| | Deferred tax liability relates to the following: | | |
| | Unrealised capital gains | (32,282,971) | (50,954,806) |
| | Unrealised ordinary investment income | (1,957,878) | 557,613 |
| | Deferred Tax Liability | (34,240,849) | (50,397,193) |
| | Deferred tax asset/(liability) | (33,893,358) | (49,938,075) |
| 12 | Other operating expenses | | |
| | Trustee Services Fee | (1,046,203) | (894,904) |
| | Commissions paid directly | - | - |
| | Audit fees | (303,217) | (398,558) |
| | Sponsorship | (106,761) | (34,987) |
| | Advertising and Marketing | (1,034,024) | (1,126,487) |
| | Other operating expenses | (2,490,205) | (2,454,936) |
| 13 | Cash and cash equivalents | | |
| | Cash at bank | 15,161,631 | 5,009,689 |
| | | 15,161,631 | 5,009,689 |
| 14 | Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities | | |
| (a) | Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities | | |
| | Operating result after tax | (4,305,554) | (554,576) |
| | Adjustments for: | | |
| | Depreciation | 231,077 | 45,579 |
| | Amounts paid from administration reserve | - | - |
| | Investment activities via custodian | 38,088,825 | (220,529,513) |
| | Lease standard adjustment | (644,212) | - |
| | Net benefits allocated to members | (33,785,877) | 189,880,691 |
| | Change in operating assets and liabilities | | |
| | (Increase)/decrease in receivables | 583,658 | (120,952) |
| | Increase/(decrease) in payables | 319,754 | 530,696 |
| | Increase/(decrease) in tax payable | (20,674,312) | 1,373,968 |
| | Death and disability proceeds received from insurer | 19,609,350 | 16,428,800 |
| | Insurance premiums paid | (19,111,237) | (25,451,397) |
| | Net cash inflow/(outflow) from operating activities | (19,688,528) | (38,396,704) |
| (b) | Non-cash financing activities | | |

There were no non-cash financing activities during the year.

Notes to the Financial Statements

15 Investment commitments

The Fund has outstanding capital commitments in relation to unlisted investments contracted for as at the reporting date but not recognised as liabilities as follows:

| Asset class | 2020 | 2019 |
|--------------------|---------------------------|--------------------------|
| | \$ | \$ |
| Private Equity | 147,676,968 | 55,073,576 |
| Infrastructure | - | - |
| Property | 711,349 | 727,217 |
| Floating Rate Debt | - | - |
| | <u>148,388,317</u> | <u>55,800,793</u> |

16 Contingent liabilities and contingent assets

There are no outstanding contingent assets or liabilities as at 30 June 2020 (2019: nil).

17 Events occurring after the reporting period

There are no significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as at 30 June 2020 or on the results and cash flows of the Fund for the year ended on that date.

18 Related party transactions

(a) Trustee

The Trustee of the Fund throughout the year was First Super Pty Ltd (ABN 42 053 498 472, RSE Licence No. L0003049). Amounts paid to the Trustee in form of fees and reimbursements are disclosed in note 12. As at 30 June 2020, \$71,733 (2019: \$39,833) was payable to the trustee and is included in 'other payables' in the statement of financial position.

(b) Directors

Key management personnel includes persons who were directors of First Super Pty Ltd at any time during or after the financial year as follows:

| | |
|-------------------------|-------------------------------------|
| Candy Broad | Robyn Burns (appointed 1 July 2019) |
| Denise Campbell-Burns | Timothy Chatfield |
| Julie George | Janet Gilbert |
| Lisa Marty * | Scott McDine |
| Alex Millar | Michael O'Connor (Co-Chair) |
| Mike Radda * (Co-Chair) | Frank Vari |

* Lisa Marty was Co-Chair up to 31 December 2019; Mike Radda was appointed Co-Chair on 1 January 2020.

(c) Other key management personnel

Other key management personnel with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year were as follows:

William Watson is the Chief Executive Officer of First Super Pty Ltd. Maxine Jacona is the Company Secretary of First Super Pty Ltd.

Notes to the Financial Statements

18 Related party transactions (continued)

(d) Key management personnel compensation

| Director Remuneration ¹ | | | | | | | | |
|------------------------------------|-----------------------|-----------|-------------------------------|------------------------------------|--------------------|------------------------------------|-----------------------|-------------------------------|
| Directors | Position Held | FY Year | Meeting Fees Paid and Payable | Travel allowance and expenses paid | Total remuneration | Remuneration from related entities | | Recipient Organisation/Entity |
| | | | | | | SBA ² | Frontier ³ | |
| Candy Broad | Independent Director | 2019/2020 | \$56,865 | \$1,209 | \$58,074 | n/a | n/a | Candy Broad |
| | | 2018/2019 | \$66,700 | \$22,989 | \$89,689 | | | |
| Robyn Burns | Director | 2019/2020 | \$39,600 | \$6,203 | \$45,803 | n/a | n/a | Robyn Burns |
| | | 2018/2019 | \$4,500 | \$1,000 | \$5,500 | | | |
| Denise Campbell - Burns | Director | 2019/2020 | \$41,745 | \$1,100 | \$42,845 | n/a | n/a | CFMMEU ⁴ |
| | | 2018/2019 | \$38,696 | \$0 | \$38,696 | | | |
| Timothy Chatfield | Independent Director | 2019/2020 | \$42,575 | \$1,000 | \$43,575 | n/a | n/a | Timothy Chatfield |
| | | 2018/2019 | \$32,250 | \$2,178 | \$34,428 | | | |
| Julie George | Director | 2019/2020 | \$39,930 | \$11,130 | \$51,060 | \$6,700 | n/a | Busi Culture Pty Ltd |
| | | 2018/2019 | \$39,600 | \$12,341 | \$51,941 | \$16,500 | | |
| Janet Gilbert | Director | 2019/2020 | \$37,950 | \$7,455 | \$45,405 | n/a | n/a | Janet Gilbert |
| | | 2018/2019 | \$28,000 | \$9,004 | \$37,004 | | | |
| Lisa Marty | Director ⁵ | 2019/2020 | \$68,244 | \$5,715 | \$73,959 | n/a | n/a | Lisa Marty |
| | | 2018/2019 | \$69,300 | \$12,294 | \$81,594 | | | |
| Scott McDine | Director | 2019/2020 | \$37,873 | \$21,556 | \$59,429 | n/a | \$15,394 | CFMMEU ⁴ |
| | | 2018/2019 | \$41,987 | \$9,235 | \$51,222 | n/a | \$15,014 | |
| Alex Millar | Director | 2019/2020 | \$39,765 | \$1,100 | \$40,865 | n/a | n/a | CFMMEU ⁴ |
| | | 2018/2019 | \$31,664 | \$0 | \$31,664 | | | |
| Michael O'Connor | Co-Chair | 2019/2020 | \$91,432 | \$4,731 | \$96,163 | \$10,589 | n/a | CFMMEU ⁴ |
| | | 2018/2019 | \$82,115 | \$3,900 | \$86,015 | \$4,950 | | |
| Mike Radda | Co-Chair ⁶ | 2019/2020 | \$36,300 | \$1,100 | \$37,400 | n/a | n/a | Sterad Pty Ltd |
| | | 2018/2019 | \$19,800 | \$0 | \$19,800 | | | |
| Frank Vari | Director | 2019/2020 | \$34,485 | \$1,710 | \$36,195 | n/a | n/a | CFMMEU ⁴ |
| | | 2018/2019 | \$31,350 | \$2,062 | \$33,412 | | | |

Note:

¹ The remuneration above includes GST and Superannuation where applicable. Not all directors are registered for GST.

² SBA = Super Benefits Administration Pty Ltd.

³ Frontier = Frontier Advisors Pty Ltd.

⁴ The full name of the recipient organisation is the Construction Forestry Maritime Mining & Energy Union – Manufacturing Division.

⁵ Lisa Marty was Co-Chair up to 31 December 2019.

⁶ Mike Radda was appointed Co-Chair on 1 January 2020.

Notes to the Financial Statements

18 Related party transactions (continued)

(d) Key management personnel compensation (continued)

| Executive Remuneration | | | | | | |
|-----------------------------|--|---------|-----------------------|---|--------------------|--------------------|
| Executive Officers | Position Held | FY Year | Paid - Cash Component | Superannuation Contributions includes SG and Salary Sacrifice | Other ¹ | Total remuneration |
| William Watson | CEO | 2019/20 | \$369,744 | \$22,114 | \$9,420 | \$401,278 |
| | | 2018/19 | \$356,022 | \$24,978 | \$8,900 | \$389,900 |
| Maxine Jacona | Executive Manager - Governance | 2019/20 | \$188,652 | \$18,015 | \$4,584 | \$211,251 |
| | | 2018/19 | \$183,095 | \$17,394 | \$4,635 | \$205,124 |
| Andrew Jewell | Executive Manager - Financial Advice and Education | 2019/20 | \$162,648 | \$15,470 | \$3,956 | \$182,074 |
| | | 2018/19 | \$150,493 | \$14,297 | \$4,000 | \$168,790 |
| Laurie Kennedy ² | Risk Manager - Risk | 2019/20 | \$132,712 | \$19,205 | \$3,255 | \$155,172 |
| | | 2018/19 | \$106,160 | \$17,505 | \$2,711 | \$126,375 |
| Brad Weldon ³ | Executive Manager - Member and Employer Services | 2019/20 | \$197,180 | \$18,732 | \$4,832 | \$220,744 |

¹ Other includes salary sacrificed benefits and long service leave accrued in the financial year.

² Laurie Kennedy works part-time.

³ Brad Weldon was appointed on 8 July 2019.

(e) Related party transactions

Transactions with related parties

The following Directors/officers (or former Directors/officers) of the Trustee Company are or were also members of the Fund:

| | |
|------------------|-----------------------|
| Robyn Burns | Denise Campbell-Burns |
| Julie George | Maxine Jacona |
| Lisa Marty | Alex Millar |
| Michael O'Connor | Mike Radda |
| Allan Stewart | William Watson |

Superannuation contributions and benefits are determined using the same Trust Deed provisions which apply to all members.

Other Related Party Transactions:

- Frontier Advisors Ltd:

First Super owns 7% of Frontier Advisors Ltd which provides investment advisory services to the Fund at a commercial arm's length basis. The total fees paid to Frontier in the year ended 30 June 2020 were \$543,711 (2019: \$516,042). Scott McDine is a director of Frontier Advisors Ltd.

- Super Benefits Administration Pty Ltd:

First Super holds 100% of the shares of Super Benefits Administration Pty Ltd which provides administration services to the Fund on a commercial arm's length basis. These shares are held as an investment by First Super and as at 30 June 2020 are valued at \$3,565,547 (2019: \$1,292,257).

First Super also sub-lease office space from Super Benefits Administration Pty Ltd on a commercial arm's length basis. The cost for the year ended 30 June 2020 was \$169,119 (2019: \$88,623).

Separate consolidated financial statements have not been prepared as the Trustee is of the opinion that these would not be materially different from the financial statements of the Fund as an individual entity.

Michael O'Connor, Julie George and Allan Stewart are directors of Super Benefits Administration Pty Ltd.

The following amounts are listed at year end in relation to Super Benefits Administration Pty Ltd:

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Administration fees paid/payable to Super Benefits Administration Pty Ltd | 5,677,811 | 6,016,408 |
| Trade & Other Payables - Administration Fees Owing/(Receivable) | - | (12,988) |

- Construction Forestry Maritime Mining & Energy Union - Manufacturing Division (CFMMEU)

Five directors of First Super are nominated by the CFMMEU. As at 30 June 2020, there were ten personnel on a full and part-time basis (2019: ten personnel) employed by the CFMMEU supplied on contract to First Super on a commercial arm's length basis. The total expense for the year ended 30 June 2020 was \$2,312,616 (2019: \$1,939,615).

Notes to the Financial Statements

18 Related party transactions (continued)

(e) Related party transactions (continued)

- Sponsorship

During the year ended 30 June 2020 the Fund made total sponsorship payments of \$106,750 (2019: \$34,987) for various activities and events. This included payments to shareholders in the Trustee Company as follows: CFMMEU \$21,945 (2019: \$8,883), Furnishing Industry Association of Australia \$nil (2019: \$nil), Australian Cabinet and Furniture Association (formerly Furnishing Industry Association of Australia Ltd) \$41,942 (2019: \$nil) and Victorian Association of Forest Industries \$11,343 (2019: \$5,225).

19 Remuneration of auditors

| | 2020 | 2019 |
|---|---------------|----------------|
| | \$ | \$ |
| Remuneration paid or payable for services provided by the auditor BDO (2019: PricewaterhouseCoopers): | | |
| Audit and review of the Financial Statements | 68,000 | 78,300 |
| Other Assurance Services | 27,000 | 49,595 |
| Non-audit services | - | - |
| | <u>95,000</u> | <u>127,895</u> |

Trustees' declaration to the members

In the opinion of the directors of the Trustee of First Super:

(a) the accompanying financial statements and notes set out on pages 1 to 25 are in accordance with:

(i) Australian Accounting Standards and other mandatory professional reporting requirements, and

(ii) present fairly the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date,

(b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and its accompanying Regulations; the relevant requirements of the Corporations Act 2001 and Regulations; the requirements under section 13 of the Financial Sector (Collection of Data) Act 2001, during the year ended 30 June 2020, and

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

Signed in accordance with a resolution of First Super Pty Ltd (A.B.N. 42 053 498 472)

Dated in Melbourne this 23rd day of September 2020.

DocuSigned by:

Mike Radda

Director

F1A91FEC1E05487...

DocuSigned by:

Tim Chatfield

Director

82B6E742423C411...

INDEPENDENT AUDITOR'S REPORT

First Super (ABN 56 286 625 181)

Report by the Registrable Superannuation Entity's Auditor to the trustee and members

Opinion

I have audited the financial statements of First Super (the RSE) for the year ended 30 June 2020 comprising the statement of financial position as at 30 June 2020, the income statement, the **statement of changes in members' benefits, the statement of changes in reserves and the statement of cash flows.**

In my opinion, the financial statements present fairly, in all material aspects, in accordance with Australian Accounting Standards the financial position of First Super as at 30 June 2020 and the results **of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2020.**

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 for the audit of the financial statements* 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 (including Independence Standards)** (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 judgment 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.

BDO Audit Pty Ltd



C R Jenkins
Director

Brisbane, 23 September 2020



First Super Pty Ltd

ABN: 42 053 498 472

Financial Statements

For the year ended 30 June 2020

First Super Pty Ltd

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First Super Pty Ltd

Directors' Report

For the year ended 30 June 2020

Directors

The Directors have pleasure in submitting the financial statements of First Super Pty Ltd (the Company) for the year.

The Directors of the Company at any time during or since the end of the financial year are:

| | |
|-----------------------|-------------------------------------|
| Candy Broad | Robyn Burns (appointed 1 July 2019) |
| Denise Campbell-Burns | Timothy Chatfield |
| Julie George | Janet Gilbert |
| Lisa Marty * | Scott McDine |
| Alex Millar | Michael O'Connor (Co-Chair) |
| Mike Radda (Co-Chair) | Frank Vari |

* Lisa Marty was Co-Chair to 31 December 2019; Mike Radda was appointed Co-Chair on 1 January 2020.

Principal Activity

The principal activity of the Company during the financial year was to act as Trustee of First Super (the Fund).

Results

The Company has a loss after tax during the year of \$955 (2019: loss \$3,649).

Dividends

No amounts have been paid or are recommended to be paid by way of dividend during the financial year.

Events Subsequent to reporting date

There are no other significant events which have occurred subsequent to 30 June 2020.

Environmental Regulation and performance

The Company is not governed by any environmental regulations.

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The Auditor's Independence Declaration is set out on page 18 and forms a part of the Directors' Report for the financial year ended 30 June 2020. The Auditor continues in office in accordance with Section 327 of the Corporations Act 2001.

First Super Pty Ltd

Directors' Report

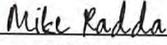
Directors' Benefits

During or since the financial year end, the Directors of First Super Pty Ltd have received or become entitled to receive a benefit, by reason of a contract entered into by the Company or by any entity that the Company controlled or a body corporate that was related to the Company when the contract was made, or when the Directors received, or become entitled to receive, the benefit with:

- a Director or,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest.

The aggregate amount of emoluments received or due to be received by the Directors is shown in Note 17 of the financial statements.

This Directors' Report is made out in accordance with a resolution of the Directors.

DocuSigned by:


Director F1A91FEC1E05487...

DocuSigned by:


Director 82B6E742423C411...

Dated this 23rd day of September 2020
Melbourne

First Super Pty Ltd**Statement of Profit or Loss and Other Comprehensive Income**

For the year ended 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|---|------|----------------|----------------|
| Revenue | 6 | 955,067 | 824,611 |
| Expenses | 7 | (956,384) | (829,644) |
| Profit/(Loss) before tax | | <u>(1,317)</u> | <u>(5,033)</u> |
| Income Tax Expense/(Benefit) | 8a | (362) | (1,384) |
| Profit/Loss for the year | | <u>(955)</u> | <u>(3,649)</u> |
| Other Comprehensive Income | | - | - |
| Total Comprehensive Income/(Loss) for the year | | <u>(955)</u> | <u>(3,649)</u> |

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

First Super Pty Ltd**Statement of Financial Position**

For the year ended 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|--------------------------------------|------|-----------------------|-----------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 10 | 36,859 | 38,768 |
| Prepayments | | 131,078 | 123,857 |
| Receivables | 9 | 285,831 | 163,690 |
| Current tax asset | 13 | 14,897 | 6,805 |
| TOTAL CURRENT ASSETS | | <u>468,665</u> | <u>333,120</u> |
| NON CURRENT ASSETS | | | |
| Plant and equipment | 12 | - | 1,367 |
| TOTAL NON CURRENT ASSETS | | <u>-</u> | <u>1,367</u> |
| TOTAL ASSETS | | <u>468,665</u> | <u>334,487</u> |
| CURRENT LIABILITIES | | | |
| Sundry creditors/payables | 11 | 390,498 | 263,104 |
| TOTAL CURRENT LIABILITIES | | <u>390,498</u> | <u>263,104</u> |
| NON CURRENT LIABILITIES | | | |
| Deferred tax liability/(asset) | | 11,543 | 3,804 |
| TOTAL NON CURRENT LIABILITIES | | <u>11,543</u> | <u>3,804</u> |
| TOTAL LIABILITIES | | <u>402,041</u> | <u>266,909</u> |
| NET ASSETS | | <u>66,624</u> | <u>67,579</u> |
| EQUITY | | | |
| Contributed equity | 14 | 270 | 270 |
| Reserves | | - | - |
| Retained earnings | 15 | 66,354 | 67,309 |
| TOTAL EQUITY | | <u>66,624</u> | <u>67,579</u> |

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements

First Super Pty Ltd**Statement of Cash Flows**

For the year ended 30 June 2020

| | Note | 2020 \$ | 2019 \$ |
|---|------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income received | | 839,988 | 858,541 |
| Operating expenses paid | | (842,065) | (874,762) |
| Income tax (paid)/benefit received | | 10 | 2,793 |
| Interest received | | 158 | 516 |
| NET CASH (USED) / FROM OPERATING ACTIVITIES | 16 | <u>(1,909)</u> | <u>(12,912)</u> |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | (1,909) | (12,912) |
| Cash and cash equivalents at 1 July | | 38,768 | 51,680 |
| Cash and cash equivalents at end of period | 10 | <u><u>36,859</u></u> | <u><u>38,768</u></u> |

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements

First Super Pty Ltd**Statement of Changes in Equity**

For the year ended 30 June 2020

2020:

| | Notes | Capital \$ | Reserves \$ | Retained Earnings \$ | Total Equity \$ |
|---|-------|---------------|----------------|-------------------------|--------------------|
| Balance at 1 July 2019 | 14 | 270 | - | 67,309 | 67,579 |
| Profit for the year | 15 | - | - | (955) | (955) |
| Total Comprehensive Income for the year | | - | - | (955) | (955) |
| <i>Transactions with owners in their capacity as owners</i> | | | | | |
| Shares issued at cost | | - | - | - | - |
| Balance at 30 June 2020 | | 270 | - | 66,354 | 66,624 |

2019:

| | Notes | Capital \$ | Reserves \$ | Retained Earnings \$ | Total Equity \$ |
|---|-------|---------------|----------------|-------------------------|--------------------|
| Balance at 1 July 2018 | 14 | 270 | - | 70,958 | 71,228 |
| Profit/(loss) for the year | 15 | - | - | (3,649) | (3,649) |
| Total Comprehensive Income for the year | | - | - | (3,649) | (3,649) |
| <i>Transactions with owners in their capacity as owners</i> | | | | | |
| Shares issued at cost | | - | - | - | - |
| Balance at 30 June 2019 | | 270 | - | 67,309 | 67,579 |

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

First Super Pty Ltd

Notes to the Financial Statements

1. REPORTING ENTITY

The financial report of First Super Pty Ltd for the year ended 30 June 2020 was authorised for issue in accordance with a resolution by the Directors.

First Super Pty Ltd is a small proprietary company incorporated in Australia. The nature of the operations and principal activities of the Company was to act as the Trustee of First Super and to pay various trustee expenses on behalf of the fund.

First Super Pty Ltd is economically dependent on the fund First Super. First Super Pty Ltd is domiciled in Victoria, Australia and its registered office address: Level 2, 165 Bouverie Street, Carlton, Victoria, 3053.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report and has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board as required by the Company's Registrable Superannuation Entity Licence conditions. The financial statements of the Company also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The financial statements were approved by the Directors on 23 September 2020.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(e) New accounting standards and interpretations

There were no new accounting standards and interpretations for the year ended 30 June 2020.

(f) New and amended standards not yet adopted by the Company

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

First Super Pty Ltd

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Receivables

Receivables are recognised initially at fair value and subsequently at amortised cost less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Bad debts are written off when identified. Amounts are generally received within 30 days of being recorded as receivables. Due to the short term nature of these receivables, the carrying amount of these receivables approximate fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Share Capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The Company receives revenue from First Super for director and trustee costs incurred in operating the Fund. These are disclosed in Note 6.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in statement of comprehensive income on a mainly diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the 2020 year for furniture and fittings is 8 years (2019: 8 years).

First Super Pty Ltd**Notes to the Financial Statements****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Income tax**

Income tax comprises of current and deferred tax.

Current and deferred tax are recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are included in the statement of cash flows on a net basis.

4. TRUST LIABILITIES AND RIGHT OF INDEMNITY

| | 2020 | 2019 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Liabilities of the Fund not recorded in the Financial Statements of the Company were: | | |
| Trade and other payables | 7,434,876 | 7,523,795 |
| Benefits payable | 1,431,676 | 95,496 |
| Current tax payable | 6,773,563 | - |
| Deferred tax liabilities | 34,240,848 | 50,397,193 |
| Member benefit liabilities | 3,082,146,773 | 3,170,494,779 |
| Total liabilities | <u>3,132,027,736</u> | <u>3,228,511,263</u> |

Right of indemnity for liabilities incurred by the Company on behalf of the Fund:

| | | |
|-------------|---------------|---------------|
| First Super | 3,132,027,736 | 3,228,511,263 |
|-------------|---------------|---------------|

The assets of the Fund, which lie behind the right of indemnity, are not directly available to meet any liabilities of the Company acting in its own right. At 30 June 2020, the assets of the Fund of \$3,149,587,564 (2019: \$3,250,720,785) were sufficient to discharge all of the liabilities.

First Super Pty Ltd**Notes to the Financial Statements****2020**
\$**2019**
\$**5. FINANCIAL RISK MANAGEMENT POLICIES****(a) Interest Rate Risk**

The Company is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed interest rates expose the Fund to fair value interest rate risk.

Financial assets

| | | |
|---------------------------|--------|--------|
| Cash and cash equivalents | 36,859 | 38,768 |
|---------------------------|--------|--------|

(b) Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

| | | |
|---------------------------|--------|--------|
| Cash and cash equivalents | 36,859 | 38,768 |
|---------------------------|--------|--------|

(c) Credit Risk

The tables below reflect management's expectations of the settlement period for all financial instruments.

| | | |
|---------------------------|----------------|----------------|
| Receivables | | |
| Less than 6 mths | 285,831 | 163,690 |
| | <u>285,831</u> | <u>163,690</u> |
| Sundry Creditors/payables | | |
| Less than 6 mths | 259,420 | 139,247 |
| 6 months - 1 year | 123,077 | 111,687 |
| 1-5 years | 8,001 | 12,170 |
| | <u>390,498</u> | <u>263,104</u> |

6. REVENUE FROM ORDINARY ACTIVITIES**Revenues from operating activities**

| | | |
|---|----------------|----------------|
| Interest income | 158 | 516 |
| Revenue from Trustee Services | 954,909 | 824,095 |
| Total revenues from operating activities | <u>955,067</u> | <u>824,611</u> |

7. EXPENSES AND LOSSES / (GAINS)

| | | |
|-----------------------|----------------|----------------|
| Administration | 956,384 | 829,644 |
| Total Expenses | <u>956,384</u> | <u>829,644</u> |

First Super Pty Ltd

Notes to the Financial Statements

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| 8. INCOME TAX | | |
| (a) Major components of income tax expense | | |
| Income Tax expenses and assets arising from the levying of income tax of the Company have been determined in accordance with the provisions of Australian Accounting Standards AASB 112 - Income Taxes. | | |
| Income Tax (Benefit)/Expense | | |
| Current year income tax | (8,102) | (1,722) |
| Deferred income tax | 7,740 | 338 |
| Current income tax adjustments for the prior year | - | - |
| Total | <u><u>(362)</u></u> | <u><u>(1,384)</u></u> |
| (b) Reconciliation between income tax expenses and the accounting profit before income tax operating result | | |
| Changes in Net Assets before Tax | (1,318) | (5,033) |
| <i>Prima facie income tax at 27.5% (2019: 27.5%)</i> | (362) | (1,384) |
| Decrease in Tax Expenses Due to | | |
| Prior period losses | - | - |
| Total income tax expense/(benefit) on operating profit | <u><u>(362)</u></u> | <u><u>(1,384)</u></u> |
| 9. RECEIVABLES (CURRENT) | | |
| First Super | 285,831 | 163,690 |
| Total Receivables (Current) | <u><u>285,831</u></u> | <u><u>163,690</u></u> |
| 10. CASH AND CASH EQUIVALENTS | | |
| Cash on hand | 270 | 270 |
| Cash at bank - NAB | 36,589 | 38,498 |
| | <u><u>36,859</u></u> | <u><u>38,768</u></u> |
| 11. PAYABLES (CURRENT) | | |
| GST Liability | 35,393 | (1,205) |
| Other Payables | 355,105 | 264,309 |
| | <u><u>390,498</u></u> | <u><u>263,104</u></u> |
| 12. PLANT AND EQUIPMENT | | |
| Fixtures and Fittings as cost | - | 3,396 |
| Less accumulated depreciation | - | (2,029) |
| | <u><u>-</u></u> | <u><u>1,367</u></u> |
| 13. CURRENT TAX ASSET | | |
| Current Tax Asset | 14,897 | 6,805 |
| | <u><u>14,897</u></u> | <u><u>6,805</u></u> |

First Super Pty Ltd**Notes to the Financial Statements**

| | 2020 \$ | 2019 \$ |
|--|----------------|-----------------|
| 14. CONTRIBUTED EQUITY | | |
| Issued and paid up capital | | |
| 270 ordinary shares of \$1 each, fully paid (2019: 270) | 270 | 270 |
| Total issued and paid up capital | 270 | 270 |
| 15. RETAINED PROFITS | | |
| Balance at the beginning of the period | 67,309 | 70,958 |
| Net profit | (955) | (3,649) |
| Total available for appropriation | 66,354 | 67,309 |
| 16. STATEMENT OF CASH FLOWS | | |
| Reconciliation of the operating profit after tax to the net cash flows from operations | | |
| Operating profit after tax | (955) | (3,649) |
| Depreciation and write-off of non-current assets | 1,367 | 5,528 |
| Changes in assets and liabilities | | |
| Current tax asset | (8,092) | 1,071 |
| Deferred tax asset | (21,539) | 8,002 |
| Prepayment | (7,221) | (13,248) |
| Receivables | (122,141) | 21,198 |
| Payables | 127,394 | (24,150) |
| Deferred tax liability | 29,278 | (7,664) |
| Net cash flow from/(used in) operating activities | (1,909) | (12,912) |

17. RELATED PARTY TRANSACTIONS**(a) Director and Key Management Personnel**

The Key Management personnel for the Company during or since the end of the financial year were:

Directors

| | |
|-----------------------|-------------------------------------|
| Candy Broad | Robyn Burns (appointed 1 July 2019) |
| Denise Campbell-Burns | Timothy Chatfield |
| Julie George | Janet Gilbert |
| Lisa Marty * | Scott McDine |
| Alex Millar | Michael O'Connor (Co-chair) |
| Mike Radda | Frank Vari |

* Lisa Marty was Co-Chair to 31 December 2019; Mike Radda was appointed Co-Chair on 1 January 2020.

Other key management personnel

William Watson is the Chief Executive Officer of First Super Pty Ltd. Maxine Jacona is the Company Secretary of First Super Pty Ltd.

First Super Pty Ltd

Notes to the Financial Statements

17. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of Key Management Personnel

| Director Remuneration ¹ | | | | | | | | |
|------------------------------------|-----------------------|-----------|-------------------------------|------------------------------------|--------------------|------------------------------------|-----------------------|-------------------------------|
| Directors | Position Held | FY Year | Meeting Fees Paid and Payable | Travel allowance and expenses paid | Total remuneration | Remuneration from related entities | | Recipient Organisation/Entity |
| | | | | | | SBA ² | Frontier ³ | |
| Candy Broad | Independent Director | 2019/2020 | \$56,865 | \$1,209 | \$58,074 | n/a | n/a | Candy Broad |
| | | 2018/2019 | \$66,700 | \$22,989 | \$89,689 | | | |
| Robyn Burns | Director | 2019/2020 | \$39,600 | \$6,203 | \$45,803 | n/a | n/a | Robyn Burns |
| | | 2018/2019 | \$4,500 | \$1,000 | \$5,500 | | | |
| Denise Campbell - Burns | Director | 2019/2020 | \$41,745 | \$1,100 | \$42,845 | n/a | n/a | CFMMEU ⁴ |
| | | 2018/2019 | \$38,696 | \$0 | \$38,696 | | | |
| Timothy Chatfield | Independent Director | 2019/2020 | \$42,575 | \$1,000 | \$43,575 | n/a | n/a | Timothy Chatfield |
| | | 2018/2019 | \$32,250 | \$2,178 | \$34,428 | | | |
| Julie George | Director | 2019/2020 | \$39,930 | \$11,130 | \$51,060 | \$6,700 | n/a | Busi Culture Pty Ltd |
| | | 2018/2019 | \$39,600 | \$12,341 | \$51,941 | \$16,500 | | |
| Janet Gilbert | Director | 2019/2020 | \$37,950 | \$7,455 | \$45,405 | n/a | n/a | Janet Gilbert |
| | | 2018/2019 | \$28,000 | \$9,004 | \$37,004 | | | |
| Lisa Marty | Director ⁵ | 2019/2020 | \$68,244 | \$5,715 | \$73,959 | n/a | n/a | Lisa Marty |
| | | 2018/2019 | \$69,300 | \$12,294 | \$81,594 | | | |
| Scott McDine | Director | 2019/2020 | \$37,873 | \$21,556 | \$59,429 | n/a | \$15,394 | CFMMEU ⁴ |
| | | 2018/2019 | \$41,987 | \$9,235 | \$51,222 | n/a | \$15,014 | |
| Alex Millar | Director | 2019/2020 | \$39,765 | \$1,100 | \$40,865 | n/a | n/a | CFMMEU ⁴ |
| | | 2018/2019 | \$31,664 | \$0 | \$31,664 | | | |
| Michael O'Connor | Co-Chair | 2019/2020 | \$91,432 | \$4,731 | \$96,163 | \$10,589 | n/a | CFMMEU ⁴ |
| | | 2018/2019 | \$82,115 | \$3,900 | \$86,015 | \$4,950 | | |
| Mike Radda | Co-Chair ⁶ | 2019/2020 | \$36,300 | \$1,100 | \$37,400 | n/a | n/a | Sterad Pty Ltd |
| | | 2018/2019 | \$19,800 | \$0 | \$19,800 | | | |
| Frank Vari | Director | 2019/2020 | \$34,485 | \$1,710 | \$36,195 | n/a | n/a | CFMMEU ⁴ |
| | | 2018/2019 | \$31,350 | \$2,062 | \$33,412 | | | |

Note:

¹ The remuneration above includes GST and Superannuation where applicable. Not all directors are registered for GST.

² SBA = Super Benefits Administration Pty Ltd.

³ Frontier = Frontier Advisors Pty Ltd.

⁴ The full name of the recipient organisation is the Construction Forestry Maritime Mining & Energy Union – Manufacturing Division.

⁵ Lisa Marty was Co-Chair up to 31 December 2019.

⁶ Mike Radda was appointed Co-Chair on 1 January 2020.

Trade payables

Directors fees payable, which are shown as part of Note 11, at 30 June 2020 were \$224,027 (2019: \$140,452). These amounts are included in the table above.

First Super Pty Ltd

Notes to the Financial Statements

17. RELATED PARTY TRANSACTIONS (continued)

| Executive Remuneration | | | | | | |
|-----------------------------|--|---------|-----------------------|---|--------------------|--------------------|
| Executive Officers | Position Held | FY Year | Paid - Cash Component | Superannuation Contributions includes SG and Salary Sacrifice | Other ¹ | Total remuneration |
| William Watson | CEO | 2019/20 | \$369,744 | \$22,114 | \$9,420 | \$401,278 |
| | | 2018/19 | \$356,022 | \$24,978 | \$8,900 | \$389,900 |
| Maxine Jacona | Executive Manager - Governance | 2019/20 | \$188,652 | \$18,015 | \$4,584 | \$211,251 |
| | | 2018/19 | \$183,095 | \$17,394 | \$4,635 | \$205,124 |
| Andrew Jewell | Executive Manager - Financial Advice and Education | 2019/20 | \$162,648 | \$15,470 | \$3,956 | \$182,074 |
| | | 2018/19 | \$150,493 | \$14,297 | \$4,000 | \$168,790 |
| Laurie Kennedy ² | Risk Manager - Risk | 2019/20 | \$132,712 | \$19,205 | \$3,255 | \$155,172 |
| | | 2018/19 | \$106,160 | \$17,505 | \$2,711 | \$126,375 |
| Brad Weldon ³ | Executive Manager - Member and Employer Services | 2019/20 | \$197,180 | \$18,732 | \$4,832 | \$220,744 |

Note:

¹ Other includes salary sacrificed benefits and long service leave accrued in the financial year.

² Laurie Kennedy works part-time.

³ Brad Weldon was appointed on 8 July 2019.

18. AUDITORS REMUNERATION

2020

\$

2019

\$

Amounts received or due and receivable by the Auditors for Auditing services:

Remuneration paid or payable for services provided by the auditor, BDO (2019: PricewaterhouseCoopers):

| | | |
|--|--------------|--------------|
| Audit and review of the Financial Statements | 5,000 | 2,620 |
| Other Assurance Services | - | 4,890 |
| | <u>5,000</u> | <u>7,510</u> |

First Super Pty Ltd pays for the audit of the Company and Australian Financial Services Licence. Other fees are paid by the fund.

19. SUBSEQUENT EVENTS

There are no significant events which have occurred subsequent to 30 June 2020.

Directors' Declaration

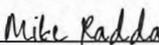
In the opinion of the directors of First Super Pty Limited ("the Company"):

The financial statements and notes that are set out here-in, and are in accordance with the Corporations Act 2001, including:

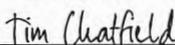
- (i) giving a true and fair view of the financial position of the Company as at 30 June 2020 and of its performance, for the financial year ended on that date.
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (iii) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

DocuSigned by:


Director F1A91FEC1E05487...

DocuSigned by:


Director 82B6E742423C411...

Dated this 23rd day of September 2020
Melbourne

Auditor's Independence Declaration



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Fax: +61 7 3221 9227
www.bdo.com.au

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Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C R JENKINS **TO DIRECTORS' OF** FIRST SUPER PTY LTD

As lead auditor of First Super Pty Ltd for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'C R Jenkins', written over a horizontal line.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 23 September 2020

INDEPENDENT AUDITOR'S REPORT

To the members of First Super Pty Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of First Super Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of First Super Pty Ltd, is in accordance with the *Corporations Act 2001*, including:

- (a) **Giving a true and fair view of the Company's financial position** as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the **Auditor's responsibilities for the audit of the Financial Report** section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's **APES 110 Code of Ethics for Professional Accountants** (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors' of the Company, would be in the same terms if given to the directors' as at the **time of this auditor's report**.

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

Other information

The directors' are responsible for the other information. The other information obtained at the date **of this auditor's report is information included in the directors' report, but does not include the financial report and our auditor's report thereon**.

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



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

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

Responsibilities of the directors' for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

C R Jenkins
Director

Brisbane, 23 September 2020