

**AustralianSuper**  
**Financial Statements**  
**For the year ended 30 June 2015**

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AustralianSuper  
Statement of financial position  
As at 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Assets</b>			
Cash and cash equivalents	8	5,324,070	4,375,370
Listed equity securities		49,616,713	40,906,219
Fixed interest securities		16,918,549	14,428,636
Derivatives		260,971	288,265
Unlisted unit trusts		21,662,410	19,004,065
Unlisted equity securities		532,091	515,854
Receivables		329,485	292,259
Receivable for securities sold		142,285	81,377
Deferred tax assets	7	14,131	24,183
<b>Total assets</b>		<b>94,800,705</b>	<b>79,916,228</b>
<b>Liabilities</b>			
Payables		147,908	231,500
Payable for securities purchased		611,485	166,272
Derivatives		923,558	231,452
Current tax liabilities		17,734	226,404
Deferred tax liabilities	7	1,329,706	784,740
<b>Total liabilities (excluding liability for accrued benefits)</b>		<b>3,030,391</b>	<b>1,640,368</b>
<b>Net assets available to pay accrued benefits</b>		<b>91,770,314</b>	<b>78,275,860</b>
<b>Represented by:</b>			
<b>Liability for accrued benefits</b>			
Members' funds	3	91,340,582	77,991,007
Reserves		429,732	284,853
<b>Liability for accrued benefits</b>		<b>91,770,314</b>	<b>78,275,860</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

AustralianSuper  
Operating statement  
For the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Investment income</b>			
Dividends and distributions		3,256,255	2,242,037
Interest		700,560	671,749
Other investment income		39,543	22,748
Changes in net market value of investments	6	5,041,608	6,778,458
Master custodian and investment manager fees		(231,559)	(198,696)
Direct investment expenses		(67,770)	(40,977)
		<b>8,738,637</b>	<b>9,475,319</b>
<b>Contributions revenue</b>			
Employer		6,214,688	5,659,229
Member		1,617,874	1,121,544
Transfers from other superannuation funds - accumulation		3,689,684	3,734,980
Transfers from other superannuation funds - pension		1,421,741	911,775
		<b>12,943,987</b>	<b>11,427,528</b>
<b>Revenue - other</b>			
Insurance claims receipts		250,031	206,321
Sundry income		118,157	47,175
		<b>368,188</b>	<b>253,496</b>
<b>Total revenue</b>		<b>22,050,812</b>	<b>21,156,343</b>
<b>Insurance expense</b>		(721,164)	(600,766)
<b>Expenses</b>			
Trustee services fee	11	(230,663)	(231,262)
Other expenses		(1,556)	(883)
Superannuation contributions surcharge		(6)	(13)
<b>Total expenses</b>		<b>(953,389)</b>	<b>(832,924)</b>
<b>Benefits accrued as a result of operations before income tax</b>		<b>21,097,423</b>	<b>20,323,419</b>
Less income tax expense	7	(1,219,380)	(1,401,791)
<b>Benefits accrued as a result of operations</b>		<b>19,878,043</b>	<b>18,921,628</b>

The above operating statement should be read in conjunction with the accompanying notes.

AustralianSuper  
Statement of cash flows  
For the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Contributions and transfers received		12,943,712	11,183,836
Investment earnings received		3,951,260	2,903,079
Insurance claims received		250,031	206,321
Other income received		117,720	47,175
Insurance premiums paid		(770,040)	(566,200)
Trustee service fee paid		(252,293)	(233,530)
Investment expenses paid		(303,823)	(208,934)
Sucharge paid		(16)	(798)
Other expenses paid		(1,556)	(883)
Benefits paid		(6,407,160)	(5,490,225)
Income tax paid		(873,032)	(856,200)
<b>Net cash flow from operating activities</b>	8(a)	<u><b>8,654,803</b></u>	<u><b>6,983,641</b></u>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of investments		73,338,733	56,004,489
Payments for the purchase of investments		(81,044,836)	(61,902,763)
<b>Cash flow from investing activities</b>		<u><b>(7,706,103)</b></u>	<u><b>(5,898,274)</b></u>
Net increase/(decrease) in cash and cash equivalents held		948,700	1,085,367
Cash and cash equivalents at the beginning of the financial year		<u>4,375,370</u>	<u>3,290,003</u>
<b>Cash and cash equivalents at the end of the financial year</b>	8(b)	<u><b>5,324,070</b></u>	<u><b>4,375,370</b></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

## **1 General information**

AustralianSuper (the "Fund") is a superannuation fund domiciled in Australia. The Fund is constituted by a Trust Deed dated 13 December 1985, as amended, that established the Fund with effect from 1 August 1985 and provides retirement and insurance benefits, including pensions, to its members.

The trustee of the Fund is AustralianSuper Pty Ltd (the "Trustee"). The registered office of the Trustee is level 33, 50 Lonsdale Street, Melbourne, Victoria.

The financial statements were approved by the Board of Directors of the Trustee on 26 October 2015.

## **2 Summary of significant accounting policies**

### **(a) Basis of preparation and statement of compliance**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standard AAS 25, other applicable Accounting Standards, and the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations. The principal accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated, these policies are consistent with those applied in the previous year.

The financial statements are presented in Australian Dollars which is the functional currency of the Fund.

All values are rounded to the nearest \$'000 except where otherwise indicated.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the Australian Accounting Standards Board. Certain requirements of AAS 25 however differ from the equivalent requirements that would be applied under IFRS. Therefore the financial statements will not comply with all IFRS requirements.

The financial statements have been prepared on a net market value basis, being the amount which could be expected to be received from the disposal of an asset in an orderly market less disposal costs. Net market value is considered a reasonable approximation of fair value.

### **(b) Significant accounting judgements, estimates and assumptions**

The preparation of the financial statements requires the making of some estimates and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. Actual results may differ from those estimates.

Estimates are continually evaluated and any revisions are recognised in the period in which they occur. Estimates are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 2(j) and Note 3 accrued benefits
- Note 2(d) (iii) non-market quoted investments.

### **(c) Cash and cash equivalents**

Cash and cash equivalents includes cash at bank, deposits held at call with financial institutions and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

### **(d) Investments**

Investments of the Fund are initially recognised at cost, being the fair value of the consideration given.

After initial recognition, investments of the Fund are recorded at net market value and changes in the net market value are recognised in the operating statement in the year they occur. Net market values have been determined as follows:

#### *(i) Market quoted investments*

Net market value of an investment for which there is a readily available market quotation is determined as the last quoted sale price as at the close of business on reporting date.

#### *(ii) Units in unlisted trusts*

Units in unlisted trusts, which includes investments in limited liability companies, are valued at the redemption price at reporting date. For investments in externally managed trusts the value is based on prices quoted by the investment managers. For internally managed companies and trusts the value is based on the net market value of the underlying investments.

#### *(iii) Non-market quoted investments*

Investments for which market quotations are not readily available are valued by the Trustee based on independent valuations received for the reporting date.

The independent valuations of non-market quoted investments primarily project future cash flows and then discount those cash flows back to their present value using a post-tax, risk adjusted discount rate. Discount rates used are developed on an individual unlisted security basis as determined by the independent valuer. The discount rate takes into account the risk of comparable companies. The independent valuations also consider recent arm's length transactions and current market value of other instruments substantially the same.

Further information on the valuation method used for investments is included in note 9.

Estimated costs of realisation have been deducted in determining net market value.

### **(e) Derivatives**

All derivatives are measured at net market value at the reporting date using quoted prices where possible or a valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Changes in the net market value are recognised in the operating statement in the year they occur.

Financial assets and liabilities, including derivatives, are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle transactions on a net basis, or realise the asset and settle the liability simultaneously.

### **(f) Receivables**

Receivables include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment.

### **(g) Receivables/payables for securities sold/purchased**

Receivables for securities sold and payables for securities purchased represent trades that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled within three business days.

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

### **(h) Foreign currency**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the operating statement in the line changes in net market value.

### **(i) Benefits payable**

Benefits payable comprises entitlements of members who have exited the Fund prior to year end, but have not been paid by that date and unclaimed benefits.

### **(j) Liability for accrued benefits**

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries as well as the Fund's reserves. It is measured as the difference between the carrying amount of the assets and liabilities as at reporting date.

### **(k) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *(i) Changes in net market value*

Changes in the net market value of investments are calculated as the difference between the net market value at year end or consideration received (if sold during the year) and the net market value at the prior year end or cost (if the investment was acquired during the year).

#### *(ii) Contributions and transfers in*

Contributions and transfers in from other superannuation funds are recognised when control of the asset has transferred to the Fund and are recognised gross of any taxes.

#### *(iii) Interest*

Interest income is recognised in the operating statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

#### *(iv) Dividends and distributions*

Dividend and distribution income is recognised on the date the investments are quoted ex-dividend/distribution and if not received at reporting date, is reflected in the statement of financial position as a receivable.

### **(l) Investment expenses**

Master custodian and investment manager fees and direct investment expenses represents costs incurred directly by the Fund in managing the investment portfolio. They do not include fees incurred within underlying investment vehicles.



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

### **(m) Income tax**

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied. The deferred tax balances are measured at the tax rates enacted or substantively enacted at reporting date. Where a member does not provide their tax file number ("TFN") to the Fund, the Fund pays no-TFN contributions tax at a rate of 31.5% which is in addition to the concessional tax rate of 15%.

Income tax expense in the operating statement for the year comprises current and deferred tax.

Current tax is the expected income tax payable on the taxable income for the year and any adjustment to tax payable in respect of prior years.

Deferred income tax is provided for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for tax purposes. The amount of deferred income tax provided is based on the expected manner of realisation of assets or settlement of liabilities.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the related tax benefit will be realised. The Fund applies a cap whereby the total deferred tax assets are capped at 2% of the Fund's net assets.

### **(n) Goods and Services Tax (GST)**

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services, management fees and trustee fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence custodial fees, investment management fees and other expenses have been recognised in profit or loss net of GST recoverable from the Australian Taxation Office (ATO). Payables are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period and have not been early adopted by the Fund. The assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

#### *AASB 9 Financial Instruments*

*AASB 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. The Fund does not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at net market value through the operating statement.

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

**(o) New accounting standards and interpretations (continued)**

*AASB 1056 Superannuation Entities*

*AASB 1056 Superannuation Entities* replaces *AAS 25 Financial Reporting by Superannuation Plans*. The objective of AASB 1056 is to provide greater transparency and consistency in reporting by superannuation entities to other entities applying Australian Accounting Standards. The standard is effective from 1 July 2016, however is available for early adoption. The adoption of AASB 1056 will have significant impacts to the composition of the primary financial statements and the disclosures within the notes to the financial statements. Under AASB 1056, the following primary financial statements will be required: statement of financial position, income statement, statement of changes in reserves, statement of cash flows and statement of changes in members' benefits.

In relation to measurement of amounts within the financial statements, the adoption of AASB 1056 will require the assets and liabilities of the Fund (excluding member liabilities and tax assets and liabilities) to be recorded at "fair value" as compared to "net market value" as required under AAS 25. The key difference between fair value and net market value is disposal costs which are included in the net market value, but excluded from fair value. The Fund does not expect this to have a significant impact on the figures within the Fund's financial statements; however impact to disclosures will be significant.

**3 Liability for accrued benefits**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Opening balance</b>	<b>78,275,860</b>	<b>64,869,334</b>
Benefits accrued as a result of operations	19,878,043	18,921,628
Benefits paid and payable - accumulation	(4,758,298)	(4,424,357)
Benefits paid and payable - pension	(1,625,291)	(1,090,745)
<b>Closing balance</b>	<b>91,770,314</b>	<b>78,275,860</b>
<b>Liability for accrued benefits - Members' funds</b>		
<b>Opening balance</b>	<b>77,991,007</b>	<b>64,700,528</b>
Contributions	12,943,987	11,427,528
Transfer to Reserves	-	(4,358)
Interest allocated to members' accounts	8,265,981	8,684,605
Insurance proceeds	250,031	206,321
Insurance premiums	(721,164)	(545,766)
Superannuation contributions surcharge	(6)	(13)
Account keeping fees deducted from members' accounts	(183,227)	(180,670)
Income tax expense	(822,438)	(782,066)
Benefits paid and payable - accumulation	(4,758,298)	(4,424,357)
Benefits paid and payable - pension	(1,625,291)	(1,090,745)
<b>Closing balance</b>	<b>91,340,582</b>	<b>77,991,007</b>
<b>Represented by:</b>		
Liability for accrued benefits - accumulation	81,367,408	71,001,809
Liability for accrued benefits - pension	9,973,174	6,989,198
	<b>91,340,582</b>	<b>77,991,007</b>
<b>Liability for accrued benefits - Reserves</b>		
<b>Opening balance</b>	<b>284,853</b>	<b>168,806</b>
Net investment earnings	8,738,637	9,475,319
Sundry income	118,157	47,175
Account keeping fees deducted from members' accounts	183,227	180,670
Transfer to Reserves	-	4,358
Interest allocated to members' accounts	(8,265,981)	(8,684,605)
General expenses	(232,219)	(232,145)
Insurance expenses	-	(55,000)
Income tax expense	(396,942)	(619,725)
<b>Closing balance</b>	<b>429,732</b>	<b>284,853</b>

### 3 Liability for accrued benefits (continued)

#### (a) Reserves

Reserves are made up of the following balances:

	2015 \$'000	2014 \$'000
Operational Risk Financial Reserve	216,303	168,959
Administration Reserve	87,711	48,658
Investment Reserve	94,085	67,236
Insurance Reserve	31,633	-
	<u>429,732</u>	<u>284,853</u>

The reserves are used for the following purposes:

- **Operational Risk Financial Reserve:** This reserve is operated in accordance with an Operational Risk Financial Reserve Policy that is reviewed annually. The purpose of the reserve is to provide funding for incidents where material losses may arise from operational risks (as opposed to investment risks). The level of the reserve is determined by the Board annually based on an assessment of the risks faced by the Fund and the requirements of APRA Prudential Standard SPS 114.
- **Administration Reserve:** This reserve is utilised to fund the operations of the Trustee office, partially funds increases that may be required to the Operational Risk Financial Reserve, enhance member services, extend the product range of the Fund and fund changes to achieve operational efficiencies.
- **Investment Reserve:** The Fund maintains an investment reserve used for the purpose of accumulating net investment income prior to it being allocated to members' accounts. Due to the timing of inputs to the calculation of amounts to be credited to members' accounts, there may be from time to time be timing differences which are recognised in the Investment Reserve.
- **Insurance Reserve:** This reserve is operated in accordance with the Insurance Reserve Policy. The purpose of the reserve is to cover timing differences between the charging of insurance premiums to member accounts and premiums falling due to the insurer under the insurance contracts.

#### (b) Members' funds

The Fund has accumulation members (which includes members within defined benefit sub-plans) and pension members.

#### (c) Defined benefit

The Fund includes 10 (2014: 12) defined benefit sub-plans. The calculation of the actuarial value of accrued benefits for the sub-plan members was performed by the respective actuaries as part of a comprehensive actuarial review. Actuarial reviews are generally conducted every three years.

Plan	Effective date of last actuarial review ('Valuation Date')	Net assets for defined benefit member at Valuation Date \$'000	Actuarial Value of Accrued benefits for defined benefit members at Valuation Date \$'000	Vested benefits for defined benefit members at Valuation Date \$'000	Actuary's opinion as to the Financial Condition of the sub-plan at Valuation Date
Anglican Plan (Pensioners)	30/6/2014	636	477	529	Satisfactory
Boeing Super Plan	31/12/2014	34,067	30,259	30,042	Satisfactory
City of Perth Superannuation Plan	30/6/2012	57,634	54,247	54,247	Satisfactory
CSL Superannuation Plan	31/12/2014	37,404	24,998	29,794	Satisfactory
Fletchers Building Australia Superannuation Plan	1/7/2012	87,941	80,694	86,113	Satisfactory
IBM Australia Section	1/12/2012	110,804	105,283	84,658	Satisfactory
MasterSuper Plan	30/6/2013	1,498	1,274	1,175	Satisfactory
Qantas Holidays Superannuation Plan	30/6/2014	12,953	11,022	10,417	Satisfactory
Shinagawa Staff Defined Benefit Plan	30/6/2013	5,745	4,932	4,544	Satisfactory
Toshiba (Australia) Pty Limited Superannuation Plan	1/7/2014	19,899	14,912	14,840	Satisfactory

### **3 Liability for accrued benefits (continued)**

#### **(c) Defined benefit (continued)**

A summary of the financial condition of the sub-plans prepared by the actuary is available upon request.

The actuarial value of accrued benefits (as opposed to the liability of accrued benefits) of defined benefit members reflect an actuarial assessment of benefits accrued up to the date of calculation and payable to members on retirement, resignation, death or disablement. The level of these benefits is part of the regular actuarial assessment of the financing position of each defined benefit sub-plan. That assessment may result in an employer being required to make additional contributions to its sub-plan. Each sub-plan is quarantined from the others and the other assets of the Fund. In the event that the assets of a particular sub-plan are not adequate to provide for members' benefits and if employer contributions are not sufficient, the accrued liability is limited to the assets of the particular sub-plan.

Except as described below, the actuary's opinion as to whether the sub-plan is in a satisfactory or unsatisfactory position is determined with reference to the vested benefits and net asset values.

For the Anglican Pension Plan, the vested benefits are calculated by the plan actuary based on a "high probability" (or conservative) set of assumptions as required by superannuation legislation. The vested benefit calculation therefore produces a higher liability than the actuarial value of accrued benefits shown above which is based on a best estimate set of assumptions.

While it is quite common for an actuary to set a minimum value for the actuarial value of accrued benefits for a particular plan equal to the vested benefits for that plan, it is not an actuarial requirement. Where such a minimum is not applied it is possible in some cases that the plan actuary's calculation of the actuarial value of accrued benefits will be less than the calculated vested benefits for the particular plan. This is the case for the CSL Plan and the Fletcher Plan. It is more common that the actuarial value of accrued benefits will equal or exceed the value of vested benefits for the particular plan.

The Trustee has a number of steps in place to manage the risks associated with the defined benefit sub-plans. The Trustee has appointed an external consulting actuary to advise on these risks, including establishing suitable funding objectives. The Trustee's policy on funding objectives is communicated to all actuaries of defined benefit sub-plans within AustralianSuper.

Each sub-plan actuary conducts regular (at least every three years, or more frequently as required) actuarial investigations of the sub-plans at the Trustee's request. The investigations are required to be completed within 9 months of the effective date. Taking into account the Trustee's policy on funding objectives and the sub-plan's circumstances, the sub-plan actuary recommends the employers' required contribution levels. The main assumptions used to determine the actuarial value of the accrued benefits for each defined benefit sub-plan were:

- future rate of investment returns (net of investment tax and net of investment management fees) earned on the Fund's assets forecasted at 3.0% - 7.5% per annum (2014: 3.0% - 7.5%)
- future rate of salary inflation forecasted at 3.0% - 5.0% (2014: 3.0% - 5.5%).

The Fund's consulting actuary reports to management each quarter on the status of the defined benefit sub-plans. These reports highlight the risk that each sub-plan may enter into an unsatisfactory financial position. Where a sub-plan is in, or is likely to enter into, an unsatisfactory financial position, the report sets out any remedial actions and agreed rectification programs with the respective employer. Information is reported to the Audit, Compliance and Risk Management Committee each 6 months or on an as needs basis.

#### 4 Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their membership at reporting date, subject to preservation requirements.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Vested benefits - accumulation	81,367,408	71,001,809
Vested benefits - pension	9,973,174	6,989,198
	<u><b>91,340,582</b></u>	<u><b>77,991,007</b></u>

#### 5 Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

#### 6 Changes in net market value of investment assets

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Investments held at balance date</b>		
Cash and cash equivalents	33,320	(13,181)
Listed equity securities	4,197,970	4,141,982
Fixed interest securities	910,678	117,481
Unlisted unit trusts	891,823	828,810
Unlisted equity securities	36,320	19,800
Derivatives	(863,492)	689,859
	<u><b>5,206,619</b></u>	<u><b>5,784,751</b></u>
<b>Investments realised during the year</b>		
Cash and cash equivalents	261,278	11,519
Listed equity securities	737,888	583,823
Fixed interest securities	53,659	25,145
Unlisted unit trusts	164,554	11,017
Unlisted equity securities	10,235	(2)
Derivatives	(1,392,625)	362,205
	<u><b>(165,011)</b></u>	<u><b>993,707</b></u>
<b>Total changes in net market value</b>	<u><u><b>5,041,608</b></u></u>	<u><u><b>6,778,458</b></u></u>

#### 7 Income tax

##### (a) Income tax expense

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current tax expense</b>		
Current year tax	677,191	784,254
Adjustment for prior periods	(12,828)	(2,750)
	<u>664,363</u>	<u>781,504</u>
<b>Deferred tax expense</b>		
Movement in temporary differences	555,017	620,287
Total income tax expense	<u><u>1,219,380</u></u>	<u><u>1,401,791</u></u>

**7 Income tax (continued)**

**(b) Reconciliation between tax expense and benefits accrued as a result of operations before tax**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Benefits accrued as a result of operations</b>	<b>21,097,423</b>	<b>20,323,419</b>
<b>Income tax at the complying superannuation fund tax rate of 15%</b>	3,164,613	3,048,513
<b>Adjusted for tax effect of the following items:</b>		
Imputation and withholding tax credits	65,632	51,460
Superannuation contributions surcharge	1	2
No-TFN contributions tax	(13,756)	8,629
Non assessable insurance receipts	(37,505)	(30,948)
Non taxable contributions	(224,700)	(156,299)
Non assessable investment income	(517,835)	(473,779)
Transfers from other funds not subject to tax	(754,908)	(689,745)
Non assessable anti-detriment	(16,026)	(12,256)
Imputation and withholding tax credits	(437,118)	(341,455)
Under/ (over) provision in prior year	(12,828)	(1,138)
Other	3,810	(1,193)
<b>Income tax expense on benefits accrued as a result of operations</b>	<b>1,219,380</b>	<b>1,401,791</b>
<b>Total income tax expense is apportioned between Members' funds and Reserves as follows:</b>		
Members' funds	822,438	782,066
Reserves	396,942	619,725
<b>Total income tax expense</b>	<b>1,219,380</b>	<b>1,401,791</b>

**(c) Deferred tax asset and liability**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax asset</b>		
Accounts payable	14,131	24,183
<b>Deferred tax asset</b>	<b>14,131</b>	<b>24,183</b>
<b>Deferred tax liability</b>		
Unrealised gains in investments subject to tax	1,329,706	784,740
<b>Deferred tax liability</b>	<b>1,329,706</b>	<b>784,740</b>

## 8 Reconciliation to the statement of cash flows

### (a) Reconciliation of benefits accrued after income tax as a result of operations to net cash provided by operating activities

	2015 \$'000	2014 \$'000
<b>Benefits accrued as a result of operations</b>	<b>19,878,043</b>	<b>18,921,628</b>
Benefits paid	(6,407,160)	(5,490,225)
Movement in net market value of investments	(5,041,608)	(6,778,458)
Non cash transactions	-	(251,645)
Decrease/(increase) in other receivable	7,485	(13,804)
Decrease/(increase) in investment income receivable	(44,713)	(33,455)
Decrease/(increase) in deferred tax asset	10,052	(9,511)
Increase/(decrease) in creditors	(83,592)	83,113
Increase/(decrease) in current tax liabilities	(208,670)	(73,800)
Increase/(decrease) in deferred tax liability	544,966	629,798
<b>Net cash flow from operating activities</b>	<b><u>8,654,803</u></b>	<b><u>6,983,641</u></b>

### (b) Reconciliation of cash

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows consists of:

	2015 \$'000	2014 \$'000
<b>Cash and cash equivalents</b>	<b><u>5,324,070</u></b>	<b><u>4,375,370</u></b>

## 9 Financial risk management

### (a) Overview

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

The Board of Directors has overall responsibility for the establishment and oversight of the Fund's Risk Management Framework including the Risk Appetite Statement, which includes the financial risks of the Fund. The financial risks, and in particular the risks associated with investments, are managed by the Board of Directors through approving the strategic asset allocation objectives and investment ranges for each investment plan. It ensures effective systems are in place to facilitate the monitoring and management of risks to which the Fund is exposed.

The Board has delegated certain powers to the Investment Committee. The Investment Committee oversees the Fund's investment program including setting ranges for the management of the portfolio mix for each investment option, approving asset class strategies and reviewing the performance of each investment option.

The Investment Committee is responsible for overseeing the investment governance framework, including policies, procedures, systems and methodologies. In carrying out these responsibilities the Investment Committee receives an appropriate level of reporting from management and external advisers.

The nature and extent of the financial instruments employed by the Fund are discussed below. Financial instruments include the investments of the Fund. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risks.



## 9 Financial risk management (continued)

### (b) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

#### Currency risk

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

The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than the functional currency (Australian dollars) of the Fund.

The Fund's investment strategy for each investment option specifies the target level of currency exposure. Derivatives and currency overlays are utilised to manage the level of currency exposure which is reviewed on a regular basis and reported to the Investment Committee.

The Fund's exposure to foreign currencies at the reporting date is summarised in the table below.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>USD</b>	16,969,149	11,708,437
<b>GBP</b>	3,291,317	2,045,306
<b>Euro</b>	3,208,632	1,798,659
<b>Other currencies</b>	8,104,900	6,588,400
	<u><b>31,573,998</b></u>	<u><b>22,140,802</b></u>

The last table on page 19 summarises the sensitivity of the Fund's financial instruments to currency risk.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's investments in bonds, fixed interest securities, debt securities and cash are subject to interest rate risk.

Interest rate risk is managed by holding a diversified portfolio of instruments, including holding a mixture of fixed and floating rate securities. Where appropriate the Fund may choose to use interest rate derivatives to change the exposure to fixed or floating interest rates.

The Fund's interest rate risk is monitored and managed on a regular basis by the Income Assets team and the investment managers awarded mandates in these asset classes in accordance with the investment guidelines set for them.

The Fund's exposure to interest rate risk at the reporting date is summarised in the table below.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Fixed interest securities</b>	16,918,569	14,428,636
<b>Cash and cash equivalents</b>	5,324,070	4,375,370
	<u><b>22,242,639</b></u>	<u><b>18,804,006</b></u>

The last table on page 19 summarises the sensitivity of the Fund's assets to interest rate risk.

## 9 Financial risk management (continued)

### (b) Market risk (continued)

#### Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund manages price risk through diversification and careful selection of securities within the strategic asset allocation for each investment option.

The strategic asset allocation for each investment option is the target mix of asset classes for the next 12 months and is set annually. The actual asset allocation of the Fund is continually monitored and reported to the Investment Committee. Adjustments are made to the actual asset allocation based on a range of factors. Before deciding to invest in an asset class or to change an allocation to an existing asset class, thorough research is completed to identify the potential future growth and price risk of a certain class having regard to the economic outlook for each asset class and a number of other factors (such as current market prices).

The Fund manages price risk by a thorough due diligence process and careful selection of investments and investment managers that receive a mandate to manage a portfolio of the Fund's assets. On an ongoing basis, investments and the investment managers are monitored by the different asset class teams. The results of the monitoring completed are reported to the Investment Committee.

The Fund seeks to allocate members' funds in the investment portfolio to sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the sector concentrations within the listed equities portfolio.

	<b>2015</b>	<b>2014</b>
	<b>Fund's equity</b>	<b>Fund's equity</b>
	<b>portfolio</b>	<b>portfolio</b>
	<b>(%)</b>	<b>(%)</b>
Information technology	12.1	9.5
Financial services	27.4	29.6
Energy	4.5	5.5
Health care	9.9	7.2
Consumer staples	9.9	10.7
Industrials	9.6	9.4
Consumer discretionary	11.8	10.5
Utilities	1.5	1.4
Materials	9.3	11.9
Telecommunications	4.0	4.3
	<b>100</b>	<b>100</b>

## 9 Financial risk management (continued)

### (b) Market risk (continued)

#### *Summarised sensitivity analysis*

The following tables summarise the sensitivity of the Fund's benefits accrued as a result of operations and net assets available to pay benefits to currency risk, interest rate risk and price risk. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historical variations in risk variables should not be used to predict future variations in the risk variables.

<b>Currency risk</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>-10%</b>	<b>+10%</b>	<b>-10%</b>	<b>+10%</b>
<b>USD</b>	(1,696,915)	1,696,915	(1,170,844)	1,170,844
<b>GBP</b>	(329,132)	329,132	(204,531)	204,531
<b>Euro</b>	(320,863)	320,863	(179,866)	179,866
<b>Other currencies</b>	(810,490)	810,490	(658,840)	658,840
	<b>(3,157,400)</b>	<b>3,157,400</b>	<b>(2,214,081)</b>	<b>2,214,081</b>

<b>Interest rate risk</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>-1%</b>	<b>+3%</b>	<b>-3%</b>	<b>+3%</b>
	222,426	(667,279)	564,120	(564,120)

<b>Price risk</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>-10%</b>	<b>+10%</b>	<b>-10%</b>	<b>+10%</b>
	(7,181,121)	7,181,121	(6,041,986)	6,041,986

### (c) Credit risk

Credit risk 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 concentration of credit risk to which the Fund is exposed arises from the Fund's investment in debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and other receivables.

Credit risk arising from investments is managed by extensive due diligence undertaken by the Fund prior to the appointment of investment managers or the selection of investments via internal management.

In addition, for cash and derivative investments, the Fund manages credit risk by dealing with highly rated counterparties and where appropriate, ensuring collateral is maintained.

Credit risk associated with receivables is considered low as this is mainly comprised of dividends, distributions and interest receivable on investments.

The carrying amount, as shown on the statement of financial position, of the Fund's financial assets best represents the maximum credit risk exposure at the reporting date.

## 9 Financial risk management (continued)

### (c) Credit risk (continued)

#### *Derivatives*

Derivatives are financial products, the value of which is derived from the value of, or change in value of, an underlying asset. The Fund permits (within the limitations prescribed in the respective investment mandate) that internal and external investment managers may utilise derivatives such as futures contracts, interest rate and currency swaps and forward foreign exchange contracts to gain access to, and allow flexibility in, the financial markets in order to manage and structure the Fund's investment portfolio in line with the Fund's investment strategy.

The investment management agreements prohibit derivatives to be used in a speculative manner.

#### *Derivatives – master netting or similar arrangements*

The Fund enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such arrangements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Fund does not have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

<b>2015</b>	<b>Financial instruments in the statement of financial position \$'000</b>	<b>Related financial instruments that are not offset \$'000</b>	<b>Collateral \$'000</b>	<b>Net amount \$'000</b>
Financial assets - derivatives	260,971	(135,367)	(84,114)	41,490
Financial liabilities - derivatives	(923,558)	135,367	166,933	(621,258)
<b>2014</b>				
Financial assets - derivatives	288,265	(109,626)	(36,972)	141,667
Financial liabilities - derivatives	(231,452)	98,433	52,330	(80,689)

## **9 Financial risk management (continued)**

### **(c) Credit risk (continued)**

#### *Securities lending*

The Fund has entered into securities lending arrangements under which legal title to certain assets of the Fund have been transferred to another entity, notwithstanding the fact that the risks and benefits of ownership of the assets remain with the Fund.

The assets transferred to other entities under securities lending arrangements include Australian and International equities and fixed interest securities that are held by the Fund's Custodian. The risks and rewards of ownership to which the Fund remains exposed are currency risk, interest rate risk, credit risk and price risk.

The carrying amount of assets on loan at reporting date was \$3,664,761,000 (2014: \$1,957,005,000).

The terms and conditions associated with the use of collateral held as security in relation to the assets lent are governed by Securities Lending Agreements that requires the borrower to provide the lender with collateral to the value equal to or greater than the loaned securities.

The collateral held at reporting date as security consisted of cash, equity and fixed interest securities with a fair value of \$3,890,165,000 (2014: \$2,062,348,000). No collateral has been sold or repledged during the year.

### **(d) Liquidity risk**

Liquidity risk is the risk the Fund may not be able to generate sufficient cash resources to settle its obligations in full as and when they fall due or can only do so on terms that are materially disadvantageous. The Fund's Trust Deed and Product Disclosure Statement provide for the daily withdrawal of benefits and switching of members' funds. The Fund is therefore exposed to the liquidity risk of meeting members' withdrawals at any time and switching of members' balances to a different investment choice option.

The Fund's financial instruments include unlisted investments that are not traded in organised public markets and may be illiquid. As a result the Fund may not be able to liquidate quickly some of its investments at an amount close to fair value in order to meet its liquidity requirements. As the value of these investments is monitored to comply with the asset allocation stipulated in the Fund's Investment Strategy this risk is considered minimal.

The Fund's listed securities are considered to be readily realisable as they are all listed on recognised stock exchanges around the world.

The Fund's liquidity risk is managed on a daily basis in accordance with the Fund's Liquidity Management Plan and Investment Strategy. Stress testing and scenario analysis are completed on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's overall liquidity risks are monitored by the Fund's Investment Committee.

## 9 Financial risk management (continued)

### (d) Liquidity risk (continued)

The contractual maturity of financial liabilities is set out below.

<b>2015</b>	<b>Carrying amount \$'000</b>	<b>Contractual cash flows \$'000</b>	<b>Less than 1 month \$'000</b>	<b>1 to 3 months \$'000</b>	<b>3 months to 1 year \$'000</b>	<b>Greater than 1 year \$'000</b>
Vested benefits	91,340,582	91,340,582	91,340,582	-	-	-
Accounts payable	147,908	147,908	147,908	-	-	-
Payables for securities purchased	611,485	611,485	611,485	-	-	-
Derivative liabilities	923,558	923,558	138,887	140,859	195,441	448,371
	<b>93,023,533</b>	<b>93,023,533</b>	<b>92,238,862</b>	<b>140,859</b>	<b>195,441</b>	<b>448,371</b>

<b>2014</b>	<b>Carrying amount \$'000</b>	<b>Contractual cash flows \$'000</b>	<b>Less than 1 month \$'000</b>	<b>1 to 3 months \$'000</b>	<b>3 months to 1 year \$'000</b>	<b>Greater than 1 year \$'000</b>
Vested benefits	77,991,007	77,991,007	77,991,007	-	-	-
Accounts payable	231,500	231,500	231,500	-	-	-
Payables for securities purchased	166,272	166,272	166,272	-	-	-
Derivative liabilities	231,452	231,452	38,944	21,523	44,747	126,238
	<b>78,620,231</b>	<b>78,620,231</b>	<b>78,427,723</b>	<b>21,523</b>	<b>44,747</b>	<b>126,238</b>

Vested benefits have been included in the "Less than 1 month" column above as this is the amount that members could call upon as at year end.

### (f) Classification of financial instruments under the fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation methodology. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities and includes market quoted investments
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs) which includes non-market quoted investments.

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

**9 Financial risk management (continued)**

**(f) Classification of financial instruments under the fair value hierarchy (continued)**

**Fair value hierarchy**

<b>2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Listed equity securities	49,569,579	28,060	19,074	49,616,713
Fixed interest securities	4,173,223	11,839,964	905,362	16,918,549
Unlisted unit trusts	-	2,698,809	18,963,601	21,662,410
Unlisted equity securities	-	-	532,091	532,091
Derivative assets	39,602	221,369	-	260,971
Derivative liabilities	(44,145)	(879,413)	-	(923,558)
	<b>53,738,259</b>	<b>13,908,789</b>	<b>20,420,128</b>	<b>88,067,176</b>

<b>2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Listed equity securities	40,887,925	1,793	16,501	40,906,219
Fixed interest securities	2,366,824	11,951,209	110,603	14,428,636
Unlisted unit trusts	-	4,157,177	14,846,888	19,004,065
Unlisted equity securities	-	-	515,853	515,853
Derivative assets	28,585	259,680	-	288,265
Derivative liabilities	(9,727)	(221,725)	-	(231,452)
	<b>43,273,607</b>	<b>16,148,134</b>	<b>15,489,845</b>	<b>74,911,586</b>

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

The following table presents the transfers between levels.

<b>2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Listed equity securities	6,648	-	(6,648)	-
Fixed interest securities	-	(307,497)	307,497	-
Unlisted unit trusts	-	(228,295)	228,295	-
	<b>6,648</b>	<b>(535,792)</b>	<b>529,144</b>	<b>-</b>

<b>2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Listed equity securities	3,758	-	(3,758)	-
Fixed interest securities	404,895	-	(404,895)	-
	<b>408,653</b>	<b>0</b>	<b>(408,653)</b>	<b>-</b>

The main movement of securities between levels involved both Fixed interest securities and Unlisted unit trusts being moved from level 2 to level 3. These movements occurred where regular and frequent price updates of securities were not available resulting in a level 3 classification.

**9 Financial risk management (continued)**

**(g) Level 3 financial instruments transactions**

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

<b>2015</b>	<b>Listed equity securities \$'000</b>	<b>Fixed interest securities \$'000</b>	<b>Unlisted unit trusts \$'000</b>	<b>Unlisted equity securities \$'000</b>	<b>Total \$'000</b>
Opening balance	16,501	110,603	14,846,887	515,854	15,489,845
Gains or losses recognised in profit or loss	2,158	7,793	1,113,244	46,555	1,169,750
Applications	9,310	573,478	5,381,975	11,292	5,976,055
Redemptions	(2,247)	(94,009)	(2,606,801)	(41,610)	(2,744,667)
Transfers into level 3	5,602	356,175	228,295	-	590,072
Transfers out of level 3	(12,250)	(48,678)	-	-	(60,928)
	<b>19,074</b>	<b>905,362</b>	<b>18,963,600</b>	<b>532,091</b>	<b>20,420,127</b>
Unrealised gains recognised in profit or loss	3,264	1,756	903,976	36,320	945,316
<b>2014</b>	<b>Listed equity securities \$'000</b>	<b>Fixed interest securities \$'000</b>	<b>Unlisted unit trusts \$'000</b>	<b>Unlisted equity securities \$'000</b>	<b>Total \$'000</b>
Opening balance	15,853	842,376	13,606,631	455,643	14,920,503
Gains or losses recognised in profit or loss	(2,926)	384	460,951	20,770	479,179
Applications	20,173	18,752	1,543,170	51,548	1,633,643
Redemptions	(12,841)	(346,014)	(763,865)	(12,107)	(1,134,827)
Transfers into level 3	381	-	-	-	381
Transfers out of level 3	(4,139)	(404,895)	-	-	(409,034)
<b>Total</b>	<b>16,501</b>	<b>110,603</b>	<b>14,846,887</b>	<b>515,854</b>	<b>15,489,845</b>
Unrealised gains recognised in profit or loss	-	924	455,668	14,492	471,084

*Valuation technique and significant unobservable inputs*

The following summarises the quantitative information regarding significant unobservable inputs used in level 3 fair value measurement for investments which are held directly.

The investments are valued using a number of individual pricing benchmarks such as the prices of recent transactions in the same or similar entities, discounted cash flow analysis, and comparison with the earnings multiples of comparative companies. Full valuations are performed at least annually, with the positions reviewed periodically for material events that might impact upon fair value. The valuation of unquoted equity instruments is subjective by nature. However, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time.



## 9 Financial risk management (continued)

### (g) Level 3 financial instruments transactions (continued)

Unobservable inputs include earnings estimates, multiples of comparative companies, marketability discounts and discount rates. For the year ended 30 June 2015, the range of cost of equity to discount the net cash flows to equity is between 9% and 16% (2014: 10% and 18%).

The relevant valuation models are each sensitive to a number of key assumptions, such as projected future earnings, comparator multiples, marketability discounts and discount rates.

Independent valuations are obtained for non-market quoted investments, on at least an annual basis. Independent valuations are reviewed internally and the results presented to the Investment Committee.

## 10 Directors and other key management personnel

### (a) Directors

Key management personnel include persons who were Directors of the Trustee at any time during the financial year, and up to the date of this report, as follows:

Member nominated	Employer nominated	Independent
P. Bastian	L. Di Bartolomeo	T. Poole (resigned 18 June 2015)
B. Daley	J. Ingram	
S. McDine (appointed 26 August 2014)	H. Ridout	
D. Oliver	A. Terry (resigned 28 October 2014)	
G. Pinnell	G. Willis	
	I. Willox (appointed 9 December 2014)	

The following persons were Alternate Directors of the Trustee during the financial year and up to the date of this report:

Member nominated	Employer nominated
N. Apple	P. Burn (appointed 23 February 2015)
M. Boyd	R. Maddox (appointed 23 February 2015)
L. Carter (ceased 31 July 2014)	G. Stamas
B. Crofts	
L. O'Brien	
F. Jordan (appointed 9 December 2014)	
M. O'Neil	

The following persons were Directors or Alternate Directors during the prior financial year:

P. Howes (resigned 23 June 2014)

### (b) Other key management personnel

Members of the Committees of the Board who are not Directors or Alternate Directors of the Trustee are considered key management personnel of the Fund. These Committee members are, P. Burn (appointed Alternate Director on 23 February 2015), R. Maddox (appointed 15 July 2014 and appointed Alternate Director on 23 February 2015), T. Poole (ceased on the Board on 18 June 2015), M. Nicolaides and S. Weston (appointed 19 May 2015).

## 10 Directors and other key management personnel

### (b) Other key management personnel (continued)

The other key management personnel of the Fund are I. Silk, Chief Executive Officer, M. Delaney, Deputy Chief Executive Officer and Chief Investment Officer, S. Blackmore, Group Executive Member Experience and Advice, A. Cavanagh, Group Executive Corporate Services, J. Foley, Group Executive Strategy, People and Performance, P. Schroder, Group Executive Membership, G. Williams, Group Executive Engagement, Advocacy and Brand.

### (c) Remuneration of key management personnel

Key management personnel are paid by the Trustee.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Short term benefits	4,635	4,046
Post employment benefits (superannuation)	347	266
Long term benefits (long service leave)	152	123
	<b>5,134</b>	<b>4,435</b>

### (d) Transactions with key management personnel

The following key management personnel were members of AustralianSuper during the reporting period or up to the date of the financial statements (including comparative year): N. Apple, P. Bastian, S. Blackmore, M. Boyd, P. Burn, L. Carter, A. Cavanagh, B. Crofts, B. Daley, M. Delaney, J. Foley, P. Howes, M. Nicolaides, L. O'Brien, D. Oliver, M. O'Neil, G. Pinnell, H. Ridout, P. Schroder, I. Silk, G. Stamas, A. Terry, G. Williams, G. Willis and I. Willox. Their membership terms and conditions were the same as those applied to other members of the Fund.

## 11 Related parties

### (a) Transactions with Trustee

The Trustee is owned by the Australian Industry Group and ACTU Super Shareholding Pty Ltd. ACTU Super Shareholding Pty Ltd holds the shares on behalf of the Australian Council of Trade Unions.

Under the terms of the Trust Deed, the Trustee is entitled to receive trustee services fees, calculated by reference to the costs incurred by the Trustee in running the Fund.

	<b>2015</b>	<b>2014</b>
Trustee services fee paid and payable by the Fund to the Trustee *	\$289,550,000	\$265,037,000*
Amount payable by the Fund to the Trustee at the end of the reporting period	\$3,772,000	\$16,205,000
Prepayment with the Trustee	\$9,599,000	\$23,814,000

\* The portion of the trustee services fee that relates to investment activities is recognised in the direct investment expenses on the operating statement.

The Trustee paid the Australian Industry Group \$192,000 (2014: \$202,000) and the Australian Council of Trade Unions \$199,000 (2014: \$196,000) for advertising related opportunities and general marketing for AustralianSuper.

All transactions were made on normal commercial terms, under normal conditions and at market rates.

## 11 Related parties (continued)

### (b) Related party investments and transactions

At 30 June 2015 the Fund had:

- A 32.9% (2014: 32.9%) shareholding in Industry Super Holdings Pty Ltd (ISH), valued at \$144,067,000 (2014: \$124,201,000). ISH has a number of subsidiary companies, one of which manages investments on behalf of the Fund. IFM Investors Pty Ltd (formerly Industry Funds Management Pty Ltd) (IFM) manages a selection of infrastructure, Australian listed equities, private equity, fixed interest and cash portfolios on behalf of the Fund.

IFM managed portfolios totalling \$21,722,286,000 (2014: \$21,251,403,000) on behalf of the Fund and received \$49,785,000 (2014: \$51,553,000) in fees for the management of these portfolios. These fees included fees paid to underlying investment managers for various portfolios and management fees paid directly to IFM of \$27,159,000 (2014: \$27,395,000). The income earned on the portfolios managed by IFM was \$985,968,000 (2014: \$1,965,792,000).

P. Burn and I. Silk are directors of Industry Super Australia Pty Ltd which is a subsidiary of ISH.

- A 34.2% (2014: 34.1%) shareholding in Members Equity Bank Limited (ME) valued at \$342,273,000 (2014: \$309,061,000). ME holds cash and short term deposits on behalf of the Fund and other institutional clients and provides low-cost home loans and banking products to industry fund members. ME offers the Fund and other institutional investors the opportunity to invest in its fixed interest vehicle, Super Loans Trust.

Members Equity Bank Limited managed a portfolio on behalf of the Fund and received \$437,000 (2014: \$958,000) in fees for the management of the portfolio. These fees included fees paid to an underlying investment manager and management fees paid directly to Members Equity Bank Limited of \$308,000 (2014: \$469,000). The portfolio was valued at \$148,791,000 (2014: \$194,619,000) and the income earned was \$11,849,000 (2014: \$14,748,000). The Fund also had \$85,312,000 (2014: \$183,661,000) invested in cash and short term deposits with Members Equity at year end. The income earned on this portfolio was \$1,493,000 (2014: \$2,721,000).

- A 15.4% (2014: 15.4%) shareholding in ISPT Pty Ltd, valued at \$0 (2014: \$0). ISPT manages a range of unlisted property funds on behalf of the Fund and other institutional clients. ISPT Pty Ltd in its capacity as trustee managed portfolios totalling \$3,360,852,000 (2014: \$3,128,236,000) on behalf of the Fund and received \$12,935,000 (2014: \$11,643,000) in fees for the management of these portfolios. These fees included fees paid to underlying investment managers for various portfolios and management fees paid directly to ISPT Pty Ltd of \$11,777,000 (2014: \$10,138,000). The income earned on this portfolio was \$374,987,000 (2014: \$275,114,000).

B. Daley and M. Delaney were directors of ISPT Pty Ltd during the year ended 30 June 2015. N. Apple was an alternate director of ISPT Pty Ltd. B. Daley and M. Delaney were directors of IGIPT Pty Ltd, a subsidiary of ISPT Pty Ltd, during the year ended 30 June 2015. N. Apple was an alternate director of IGIPT Pty Ltd.

**11 Related parties (continued)**

**(b) Related party investments and transactions (continued)**

- A 31.0% (2014: 31.0%) shareholding of ordinary shares valued at \$1,095,000 (2014: \$960,000) in Frontier Advisors Pty Ltd. Frontier provides investment consulting services to the Fund and other institutional clients. Frontier Advisors Pty Ltd received fees from AustralianSuper for investment consulting services. These fees were \$1,624,000 (2014: \$1,557,000).

L. Di Bartolomeo was appointed a director of Frontier Advisors Pty Ltd on 27 August 2015.

- B. Daley was a director of Utilities of Australia Pty Ltd, the trustee of Utilities Trust of Australia in the year ended 30 June 2014.

The Fund had an investment valued at \$Nil (2014: \$383,666,000) in Utilities Trust of Australia, a unit trust that invests in infrastructure assets globally. The Fund earned income of \$3,875,000 (2014: \$54,189,000) from Utilities Trust of Australia. The Fund's proportion of the underlying expenses of Utilities Trust of Australia were \$Nil (2014: \$4,835,000).

- The Trustee has a shareholding of ordinary shares valued at \$0 (2014: \$0) in The New Daily Pty Ltd. The New Daily Pty Ltd provides an online news publication, The New Daily, which is made available to members.

During the year the Trustee contributed \$12,500 (2014: \$1,000,000) to The New Daily for marketing purposes.

A. Terry was a director of The New Daily Pty Ltd until 28 October 2014. L. Di Bartolomeo was appointed a director of The New Daily Pty Ltd on 30 April 2015. During the year, the Trustee paid A. Terry \$7,825 (2014: \$23,800) and L. Di Bartolomeo \$4,043 for being AustralianSuper's nominee on the Board of The New Daily Pty Ltd.

- On 19 December 2014, the Fund sold its 28.7% shareholding in Superpartners Pty Ltd for \$41,538,000. As at 30 June 2014 the Fund had a 28.7% shareholding in Superpartners Pty Ltd valued at \$36,199,000. Superpartners provide member administration and custodial services to the Fund and other institutional clients.

Superpartners Pty Ltd received \$65,987,000 up to 19 December 2014 (2014: \$156,258,000) in fees for the provision of member administration services and custodial services.

All transactions were made on normal commercial terms, under normal conditions and at market rates. Transactions relating to dividends, investment income and subscription for new ordinary shares were on the same terms and conditions that applied to other shareholders.

**(c) Other related party transactions**

ISH has various other subsidiaries with which the Fund transacts. These non-investment transactions that relate to financial planning, seminars and other member services totalled \$8,165,000 (2014: \$7,555,000).

All transactions were made on normal commercial terms, under normal conditions and at market rates.

## 11 Related parties (continued)

### (d) Controlled entities

The Fund has multiple investments which are controlled by it. However, the Fund has determined that it is an investment entity under the definition in AASB 10 as it meets the following criteria:

- a) the Fund has obtained funds from members for the purpose of providing them with investment management services
- b) the Fund's business purpose, which it communicated directly to members, is investing solely for returns from capital appreciation and investment income; and
- c) the performance of investments made by the Fund are measured and evaluated on a fair value basis.

The Fund also meets all of the typical characteristics of an investment entity.

As a consequence, the Fund does not consolidate these investments, but accounts for them at net market value.

The entities controlled by the Fund have been set up for the purpose of holding investments that generate capital appreciation and investment income; the investment strategies of the underlying entities may include the use of leverage. The Fund purchases shares, units or bonds from the controlled entity which enables the controlled entities to invest in the underlying entities. These underlying entities hold investments in infrastructure, private equity and property both internationally and within Australia.

The Fund's maximum exposure to loss from its interests in controlled entities is equal to the net market value of its investments in these entities plus any capital commitment made by a controlled entity to an underlying entity. Once the Fund has disposed of its interest in the controlled entity it ceases to be exposed to any risk from the controlled entity.

The Fund's exposure to the current market value of investments held in the controlled entities and commitments to these entities are shown below:

Asset class	Number of controlled entities	Net asset value of controlled entites \$'000	Commitments to controlled entities \$'000
Australian infrastructure	6	1,941,062	-
International infrastructure	5	394,797	17,014
Australian private equity	2	469,510	105,601
International private equity	1	1,169,678	2,063,557
Australian property	3	79,465	73,553
International property	6	2,643,472	352,707
<b>Total</b>	<b>23</b>	<b>6,697,984</b>	<b>2,612,432</b>

The net market values of these investments are included in the statement of financial position in the unlisted unit trust category.

**11 Related parties (continued)**

**(d) Controlled entities (continued)**

Name of entity	Equity holding		Value	
	2015 %	2014 %	2015 \$'000	2014 \$'000
AustralianSuper Property Pty Ltd	100%	100%	\$41,073	\$40,527
AustralianSuper Icon Parking No. 1 Trust	100%	100%	\$8,933	\$8,699
AustralianSuper Icon Parking No. 2 Trust	100%	100%	\$8,933	\$8,699
AustralianSuper Investments Fund	100%	100%	\$66,272	\$59,304
AustralianSuper Investments Fund No 2	100%	100%	\$118,061	\$94,345
AustralianSuper Investments Fund No 3	100%	100%	\$1,169,678	\$789,535
AustralianSuper Investments Fund No 4	100%	100%	\$103,405	\$140,465
AustralianSuper Investments Fund No 5	100%	100%	\$192,598	\$128,304
AustralianSuper Private Equity Trust	100%	100%	\$468,429	\$403,619
Mindarie Investment Trust	100%	100%	\$114	\$211
- BioVision 2020 Holdings Pty Ltd	70%	70%	\$114	\$211
- BioVision Holdings Pty Ltd	70%	70%	\$114	\$211
Battye Street Unit Trust	100%	100%	\$16,062	\$162,608
- No 1 Charles Street Unit Trust No 1	100%	100%	\$8,031	\$81,304
- No 1 Charles Street Unit Trust No 2	100%	100%	\$8,031	\$81,304
AS Infrastructure No 1 (Operating) Pty Ltd	100%	100%	\$144,762	\$122,039
AS Infrastructure No 1 (Holding) Trust	100%	100%	\$660,915	\$589,119
Perth Airport Holding Trust	100%	100%	\$139,647	\$127,624
AustralianSuper Research Pty Ltd	100%	100%	\$1,081	\$1,056
AS Infrastructure No 2 (Holding) Trust	100%	100%	\$857,534	\$9,915
AS Infrastructure No 2 (Operating) Trust	100%	100%	\$138,090	\$12,921
AS Property No 1 LLC	100%	100%	\$647,191	\$511,473
AS Property No 2 LLC	100%	-	\$6,005	-
AS Property No 3 LLC	100%	-	\$479,521	-
AS Property No 2 Trust	100%	-	\$11,487	-
AS Property No 2 LP Trust	100%	-	\$1,395,863	-
AS Residential Property Trust	100%	-	\$21,700	-

The above entities are domiciled in Australia with the exception of AS Property No 1 LLC, AS Property No 2 LLC and AS Property No 3 LLC which are domiciled in the USA. In addition to the above, the Fund also controlled 13 (2014: 11) entities as at the reporting date which acted as the trustee for the above entities. Each entity had a carrying value of \$2 or less.

**12 Auditor's remuneration**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts paid/payable to KPMG for:		
Audit of financial statements	568	494
Other assurance services	186	190
Tax compliance services	1,580	1,767
Other services	2,384	851
	<u><b>4,718</b></u>	<u><b>3,302</b></u>

Other services provided by KPMG relate to the provision of internal control assessment services including developing process, risk and controls documentation across various departments at the Fund and Trustee.

**13 Commitments**

The commitments of the Fund as at reporting date are detailed below.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Committed to</b>		
Unlisted unit trusts	<u>2,786,497</u>	<u>2,817,632</u>
<b>Total</b>	<u><b>2,786,497</b></u>	<u><b>2,817,632</b></u>
Within one year	<u>2,786,497</u>	<u>2,817,632</u>
<b>Total</b>	<u><b>2,786,497</b></u>	<u><b>2,817,632</b></u>

The above commitments are at call with 3 months' notice normally required.

**14 Subsequent events**

No significant events have occurred since the end of the reporting period to the date of this report which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2015 or on the results and cash flows of the Fund for the year ended on that date.

In the opinion of the Trustee of AustralianSuper the accompanying financial statements of the Fund are properly drawn up so as to present fairly the financial position of the Fund as at 30 June 2015 and the results of its operations and cash flows for the year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia, the Trust Deed and Superannuation Industry (Supervision) Act 1993 and Regulations.

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



.....

H. Ridout  
Director



.....

G. Willis  
Director

Perth  
26 October 2015





**AustralianSuper (ABN: 65 714 394 898)**

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

**Financial statements**

I have audited the financial statements of AustralianSuper (the Fund) for the year ended 30 June 2015, comprising the statement of financial position, operating statement, statement of cash flows and accompanying notes 1 to 14 as set out on pages 6 to 31 attached.

*Trustee's responsibility for the financial statements*

The superannuation entity'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* 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.

*Auditor's responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of AustralianSuper.

My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

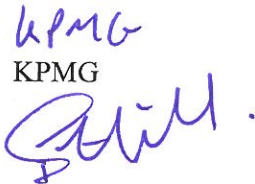
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements 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 trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

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



*Auditor's Opinion*

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards, the financial position of AustralianSuper as at 30 June 2015 and the results of its operations and its cash flows for the year ended 30 June 2015.

A handwritten signature in blue ink, appearing to read 'Sean Hill', written over the printed name and title.

KPMG

Sean Hill  
*Partner*

Perth

26 October 2015