

**AustralianSuper**

**Annual financial report 30 June 2019**

## AustralianSuper Annual financial report 30 June 2019

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### Statement of financial position

	Notes	2019 \$m	2018 \$m
<b>Assets</b>			
Cash and cash equivalents	2(a)	6,463	6,035
Listed equity securities	2(c)	84,476	74,138
Fixed income securities	2(c)	41,929	30,355
Derivatives	2(c)	1,079	738
Unlisted unit trusts	2(c)	36,873	32,214
Unlisted equity securities	2(c)	534	480
Receivables	2(b)(i)	442	474
Receivable for securities sold	2(b)(iii)	534	482
Income tax receivable		46	149
<b>Total assets</b>		<b>172,376</b>	<b>145,065</b>
<b>Liabilities</b>			
Derivatives	2(c)	777	1,125
Payables	2(b)(ii)	181	133
Payable for securities purchased	2(b)(iii)	1,378	1,205
Deferred tax liabilities	2(f)(iv)	3,256	2,470
<b>Total liabilities excluding members' benefits</b>		<b>5,592</b>	<b>4,933</b>
<b>Net assets available for members' benefits</b>		<b>166,784</b>	<b>140,132</b>
<b>Members' benefits</b>	7	<b>166,150</b>	<b>139,406</b>
<b>Net assets</b>		<b>634</b>	<b>726</b>
<b>Equity - reserves</b>			
Operational risk financial reserve	9	400	347
Other reserves		234	379
<b>Total reserves</b>		<b>634</b>	<b>726</b>

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

## AustralianSuper Annual financial report 30 June 2019

### Income statement

		2019	2018
	Notes	\$m	\$m
<b>Revenue</b>			
Interest	3(a)(i)	987	728
Dividends and distributions	3(a)(ii)	5,864	3,783
Other investment income	3(a)(iv)	107	57
Net changes in fair value of financial instruments	3(a)(iii)	6,859	9,635
Sundry income	3(a)(iv)	(47)	92
<b>Total revenue</b>		<b>13,770</b>	<b>14,295</b>
<b>Expenses</b>			
Investment expenses	3(c)	(538)	(465)
Trustee service fees		(313)	(296)
<b>Total expenses</b>		<b>(851)</b>	<b>(761)</b>
<b>Operating result before income tax</b>		<b>12,919</b>	<b>13,534</b>
Income tax (expense) / benefit	2(f)(i)	(621)	(641)
<b>Operating result after income tax</b>		<b>12,298</b>	<b>12,893</b>
Net investment income credited to members		(12,628)	(12,901)
Administration fees charged to members		238	206
<b>Net operating result</b>		<b>(92)</b>	<b>198</b>

*The income statement should be read in conjunction with the accompanying notes*

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### Statement of changes in members' benefits

	Notes	2019 \$m	2018 \$m
<b>Opening balance of members' benefits</b>		<b>139,406</b>	<b>118,992</b>
Employer contributions		8,263	7,357
Member contributions		2,165	1,615
Transfers from other superannuation plans		13,064	7,652
Income tax on contributions	2(f)(iii)	(1,222)	(1,042)
<b>After tax contributions</b>		<b>22,270</b>	<b>15,582</b>
Benefit payments to members or beneficiaries		(7,674)	(7,611)
Insurance premiums charged to members		(550)	(614)
Death and disability benefits credited to members		308	362
Net investment income credited to members		12,628	12,901
Administration fees charged to members		(238)	(206)
<b>Closing balance of members' benefits</b>	7	<b>166,150</b>	<b>139,406</b>

*The statement of changes in members' benefits should be read in conjunction with the accompanying notes*

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### Statement of changes in reserves

	Operational risk financial reserve \$m	Investment reserve \$m	Administration reserve \$m	Insurance reserve \$m	Total reserves \$m
<b>Balance at 1 July 2018</b>	<b>347</b>	<b>134</b>	<b>52</b>	<b>193</b>	<b>726</b>
Net transfers to/from reserve	35	(24)	(11)	-	-
Operating result	18	(40)	14	(84)	(92)
<b>Balance at 30 June 2019</b>	<b>400</b>	<b>70</b>	<b>55</b>	<b>109</b>	<b>634</b>

	Operational risk financial reserve \$m	Investment reserve \$m	Administration reserve \$m	Insurance reserve \$m	Total reserves \$m
<b>Balance at 1 July 2017</b>	<b>295</b>	<b>11</b>	<b>52</b>	<b>170</b>	<b>528</b>
Net transfers to/from reserve	34	(24)	(10)	-	0
Operating result	18	147	10	23	198
<b>Balance at 30 June 2018</b>	<b>347</b>	<b>134</b>	<b>52</b>	<b>193</b>	<b>726</b>

*The statement of changes in reserves should be read in conjunction with the accompanying notes*

## AustralianSuper Annual financial report 30 June 2019

### Statement of cash flows

	Notes	2019 \$m	2018 \$m
<b>Cash flows from operating activities</b>			
Interest income received		987	728
Dividend and distribution income received		5,996	3,788
Death and disability claims received		308	362
Other income (paid)/received		(47)	92
Insurance premiums paid		(545)	(614)
Trustee service fee paid		(309)	(283)
Investment expenses paid		(487)	(474)
Income tax (paid)/received		257	(557)
<b>Net cash inflow (outflow) from operating activities</b>	4(b)	<b>6,160</b>	<b>3,042</b>
<b>Cash flows from investment activities</b>			
Sales of financial instruments		200,827	123,897
Purchase of financial instruments		(221,172)	(135,646)
<b>Net cash inflow (outflow) from investing activities</b>		<b>(20,345)</b>	<b>(11,749)</b>
<b>Cash flows from financing activities</b>			
Contributions received and transfers from other superannuation entities		23,492	16,565
Benefits paid to members or beneficiaries		(7,657)	(7,606)
Tax paid on contributions		(1,222)	(1,051)
<b>Net cash inflow (outflow) from financing activities</b>		<b>14,613</b>	<b>7,908</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>428</b>	<b>(799)</b>
Cash and cash equivalents at beginning of year		6,035	6,834
<b>Cash and cash equivalents at end of year</b>	4(a)	<b>6,463</b>	<b>6,035</b>

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

**Notes to the financial statements**

**1 Fund structure and operation**

AustralianSuper (the “Fund”) is a defined contribution 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 to its members. The Fund has both accumulation members and retirement members. While the Fund exists for the benefit of members, for the purposes of the financial statements the Fund is a for profit entity under accounting standards.

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.

This financial report covers the Fund as an individual entity, it was authorised for issue by the directors of the Trustee on 26 September 2019. The directors of the Trustee have the power to amend and reissue this financial report.



## **How the numbers are calculated**

### **2 Statement of financial position**

#### **(a) 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.

#### **(b) Other receivables and payables**

##### *(i) Receivables*

Receivables includes 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.

##### *(ii) Payables*

Payables includes investment manager fees and trustee service fees accrued and members' benefits payable at the end of the reporting period.

##### *(iii) 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 at the end of the year. Trades are recorded on trade date and normally settled within three business days.

#### **(c) Investments**

The investments, including derivatives, of the Fund are recorded at fair value and changes in the fair value are recognised in the income statement in the year they occur.

Financial assets and 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 and liabilities are recognised from that date.

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

Transaction costs, including brokerage and stamp duty, that are incurred to acquire investment securities are recognised in the income statement as an expense as incurred. Transaction costs associated with direct investments in property and infrastructure, including legal and due diligence fees, are capitalised and recognised as part of the cost of the investment.

## How the numbers are calculated (continued)

### 2 Statement of financial position (continued)

#### (d) Fair value measurement of financial assets and liabilities

The table below analyses financial assets and liabilities 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. The main investments in this category are listed equity securities whose fair value is determined using the last quoted sale price.
- 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). This category includes fixed income securities and derivative contracts not traded on public exchanges and unlisted unit trusts that hold listed securities. Fixed income securities for which no active market is observable are valued at current market rates using broker quotations and/or independent pricing services.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs) which includes non-market quoted investments. Unlisted investments in infrastructure, property and private equity are included in this category. Further information regarding unobservable inputs and the measurement of fair value for Level 3 investments is included below.

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

<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Listed equity securities	84,471	-	5	<b>84,476</b>
Fixed income securities	5,895	33,473	2,561	<b>41,929</b>
Unlisted unit trusts	-	4,210	32,663	<b>36,873</b>
Unlisted equity securities	-	-	534	<b>534</b>
Derivative assets	218	861	-	<b>1,079</b>
Derivative liabilities	(190)	(587)	-	<b>(777)</b>
	<b>90,394</b>	<b>37,957</b>	<b>35,763</b>	<b>164,114</b>
<b>2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Listed equity securities	74,118	-	20	<b>74,138</b>
Fixed income securities	4,408	24,082	1,865	<b>30,355</b>
Unlisted unit trusts	-	3,697	28,517	<b>32,214</b>
Unlisted equity securities	-	-	480	<b>480</b>
Derivative assets	161	577	-	<b>738</b>
Derivative liabilities	(250)	(875)	-	<b>(1,125)</b>
	<b>78,437</b>	<b>27,481</b>	<b>30,882</b>	<b>136,800</b>

## **How the numbers are calculated (continued)**

### **2 Statement of financial position (continued)**

#### (d) Fair value measurement of financial assets and liabilities (continued)

##### *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.

The Fund's level 3 investments are a combination of directly held assets and indirectly held investments made via unlisted trusts which in turn invest in a variety of underlying investments.

The fair value of the Funds indirectly held investments in unit trusts is measured at the value provided by the manager of the vehicle unless there is a specific and objectively verifiable reason to vary from the value provided by the manager. The Fund ensures that valuation techniques used by managers are consistent with the Fund's valuation policy as described below. These investments are held in Fund Manager pooled investment trusts for which the Fund is an investor.

The Fund's directly held 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. The valuation of unquoted investments is subjective by nature. However, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time.

The valuation models are each sensitive to a number of key assumptions, such as projected future earnings and cash flows, comparator multiples, marketability discounts and discount rates. For most investments the most significant assumptions are the discount rate and the projected future cash flows of the investment.

Discount rates are composed of two key elements, a risk free rate which is the return that would be expected from a secure, virtually risk free investment such as a high quality government bond; plus a risk premium. The risk premium is estimated from, where available, implied values of similar publicly traded entities or sales of similar entities (similar properties in the case of real estate investments). If such information is not available the risk premium is estimated at a level that compensates for the incremental amount of risk associated with a particular investment. The selected discount rates are chosen to be consistent with the risk inherent in the stream of cash flows to which they are applied. An increase in discount rates would result in a decrease in fair value while a decrease in discount rates would result in an increase in fair value.

The discounted cash flow ("DCF") method involves the calculation of the net present value of forecast future cash flows using an appropriate discount rate. DCF methods have a sound conceptual basis and are preferred in situations where future cash flows can be estimated with a reasonable degree of confidence. DCF methodologies allow explicit recognition to be given to the time value of money, therefore valuations estimated using the DCF methodologies will be dependent upon the accuracy of the quantum and timing of forecast future cash flows. An upward movement in forecast future cash flows would result in an increase in fair value.

Any upward movement in future earnings and comparator multiples used in the above valuations would result in an increase in fair value while an increase in marketability discounts would result in a decrease in fair value.

## How the numbers are calculated (continued)

### 2 Statement of financial position (continued)

#### (d) Fair value measurement of financial assets and liabilities (continued)

##### *Valuation technique and significant unobservable inputs (continued)*

The following table summarises the unobservable inputs used in fair value measurement of the Fund's material directly held investments.

2019	Fair value \$m	Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Australian Infrastructure	7,044	Discount rate	8.20% - 10.90%	The higher the discount rate, the lower the fair value
International Property	4,759	Capitalisation rate Discount rate	3.85% - 5.10% 6.60% - 8.00%	The higher the capitalisation rate, the lower the fair value The higher the discount rate, the lower the fair value
2018	Fair value \$m	Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Australian Infrastructure	5,346	Discount rate	8.50% - 15.00%	The higher the discount rate, the lower the fair value
International Property	4,258	Capitalisation rate Discount rate	3.90% - 5.50% 6.10% - 8.90%	The higher the capitalisation rate, the lower the fair value The higher the discount rate, the lower the fair value

The number and fair value of investments held by the Fund that have been valued using the type of unobservable inputs discussed above are shown in the table below.

	Directly held investments		Indirectly held investments		Total investments	
	Number	Fair value \$m	Number	Fair value \$m	Number	Fair value \$m
Australian credit	2	791	1	22	3	813
International credit	3	1,071	1	59	4	1,130
Australian infrastructure	8	7,044	5	4,314	13	11,358
International infrastructure	-	-	6	5,000	6	5,000
Australian private equity	4	568	36	338	40	906
International private equity	1	1	10	4,767	11	4,768
Australian property	1	174	9	6,113	10	6,287
International property	4	4,759	4	14	8	4,773
Other	7	649	34	79	41	728
	<b>30</b>	<b>15,057</b>	<b>106</b>	<b>20,706</b>	<b>136</b>	<b>35,763</b>

How the numbers are calculated (continued)

2 Statement of financial position (continued)

(d) Fair value measurement of financial assets and liabilities (continued)

*Valuation technique and significant unobservable inputs (continued)*

2018	Directly held investments		Indirectly held investments		Total investments	
	Number	Fair value	Number	Fair value	Number	Fair value
		\$m		\$m		\$m
Australian credit	2	659	1	22	3	681
International credit	3	806	1	-	4	806
Australian infrastructure	5	5,346	5	3,812	10	9,158
International infrastructure	1	52	6	4,168	7	4,220
Australian private equity	3	415	38	325	41	740
International private equity	1	1	8	4,159	9	4,160
Australian property	2	156	11	6,023	13	6,179
International property	3	4,258	4	24	7	4,282
Other	7	185	70	471	77	656
	<b>27</b>	<b>11,878</b>	<b>144</b>	<b>19,004</b>	<b>171</b>	<b>30,882</b>

The directly held investments listed in the table above were valued by independent experts. The indirectly held investments were valued according to the value provided by the manager of the investment vehicle.

Independent valuations are obtained for non-market quoted investments, on at least an annual basis with the positions reviewed periodically for material events that might impact upon fair value. Independent valuations are reviewed internally and the results presented to the Investment Committee for consideration.

How the numbers are calculated (continued)

2 Statement of financial position (continued)

(d) Fair value measurement of financial assets and liabilities (continued)

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

<b>2019</b>	<b>Listed equity securities \$m</b>	<b>Fixed income securities \$m</b>	<b>Unlisted unit trusts \$m</b>	<b>Unlisted equity securities \$m</b>	<b>Total \$m</b>
Opening balance	20	1,865	28,517	480	30,882
Gains or losses recognised in income statement	(23)	122	1,611	48	1,758
Applications	27	891	3,840	13	4,771
Redemptions	(17)	(211)	(1,306)	(7)	(1,541)
Transfers into level 3	2	-	1	-	3
Transfers out of level 3	(4)	(106)	-	-	(110)
	<b>5</b>	<b>2,561</b>	<b>32,663</b>	<b>534</b>	<b>35,763</b>

Unrealised gains recognised in income statement	(24)	120	1,466	51	1,613
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<b>2018</b>	<b>Listed equity securities \$m</b>	<b>Fixed income securities \$m</b>	<b>Unlisted unit trusts \$m</b>	<b>Unlisted equity securities \$m</b>	<b>Total \$m</b>
Opening balance	7	1,275	25,626	619	27,527
Gains or losses recognised in income statement	0	22	1,904	58	1,984
Applications	5	521	2,325	44	2,895
Redemptions	(12)	(62)	(1,350)	(243)	(1,667)
Transfers into level 3	23	112	13	2	150
Transfers out of level 3	(3)	(3)	(1)	-	(7)
<b>Total</b>	<b>20</b>	<b>1,865</b>	<b>28,517</b>	<b>480</b>	<b>30,882</b>

Unrealised gains recognised in income statement	1	20	1,897	58	1,976
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**How the numbers are calculated (continued)**

**2 Statement of financial position (continued)**

(e) Derivatives

Derivative 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 transactions on a net basis, or realise the asset and settle the liability simultaneously.

The Fund enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. Under such arrangements derivative financial assets and liabilities could potentially be offset at the counterparty level under certain circumstances such as default. The amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency would be aggregated into a single net amount payable by one party to the other and the relevant arrangements terminated. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position as the Fund does not have a legally enforceable right of set-off.

The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the table below. Also shown in the table is the amount that could, under netting arrangements, be offset at the counterparty level should circumstances allow the Fund a legally enforceable right of set-off.

How the numbers are calculated (continued)

2 Statement of financial position (continued)

(e) Derivatives (continued)

	Derivative fair value \$m	Derivative amounts set off \$m	Net amounts presented in statement of financial position \$m	Amounts subject to master netting arrangements \$m	Net amount \$m
<b>2019</b>					
<b>Financial assets</b>					
Futures contracts	218		218	(247)	(29)
Swaps contracts	8,261	(8,106)	155	(83)	72
Options contracts	100		100	(4)	96
Foreign currency forward contracts	606		606	(557)	49
	<b>9,185</b>	<b>(8,106)</b>	<b>1,079</b>	<b>(891)</b>	<b>188</b>
<b>Financial liabilities</b>					
Futures contracts	(190)		(190)	218	28
Swaps contracts	(8,272)	8,106	(166)	108	(58)
Options contracts	(4)		(4)	100	96
Foreign currency forward contracts	(417)		(417)	536	119
	<b>(8,883)</b>	<b>8,106</b>	<b>(777)</b>	<b>962</b>	<b>185</b>
<b>Net financial asset/(liability)</b>	<b>302</b>	<b>-</b>	<b>302</b>	<b>71</b>	<b>373</b>

	Derivative fair value \$m	Derivative amounts set off \$m	Net amounts presented in statement of financial position \$m	Amounts subject to master netting arrangements \$m	Net amount \$m
<b>2018</b>					
<b>Financial assets</b>					
Futures contracts	161	-	161	(161)	-
Swaps contracts	5,712	(5,516)	196	(55)	141
Options contracts	98	-	98	-	98
Foreign currency forward contracts	283	-	283	(1,235)	(952)
	<b>6,254</b>	<b>(5,516)</b>	<b>738</b>	<b>(1,451)</b>	<b>(713)</b>
<b>Financial liabilities</b>					
Futures contracts	(250)	-	(250)	250	-
Swaps contracts	(5,718)	5,516	(202)	154	(48)
Options contracts	-	-	-	98	98
Foreign currency forward contracts	(673)	-	(673)	1,149	476
	<b>(6,641)</b>	<b>5,516</b>	<b>(1,125)</b>	<b>1,651</b>	<b>526</b>
<b>Net financial asset/(liability)</b>	<b>(387)</b>	<b>-</b>	<b>(387)</b>	<b>200</b>	<b>(187)</b>



**How the numbers are calculated (continued)**

**2 Statement of financial position (continued)**

(f) Income tax

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Acts and the Fund's income tax disclosures are prepared in accordance with AASB 1056 *Superannuation Entities* and AASB 112 *Income Taxes*.

Accordingly, the income tax rate for Australian superannuation funds of 15% has been applied to net investment earnings less deductions allowable for expenses relevant to accumulation fund members and transition to retirement members. In the case of retirement income members, investment earnings are tax exempt.

Investment assets held for less than 12 months are taxed at 15%. For investment assets that are held on capital account for tax purposes for a period of more than 12 months, the Fund is entitled to a one-third Capital Gains Tax discount leading to an effective tax rate of 10% on gains or losses arising from the disposal of such investment assets.

The deferred tax balances are measured at the tax rates enacted at reporting date.

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

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

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will become available to utilise those losses.

(i) *Income tax expense reported in income statement*

	<b>2019</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>
<b>Current income tax</b>		
Current tax expense/(benefit) on operating result for the year	(154)	52
Adjustment for current tax of prior periods	(11)	(23)
<b>Total current tax benefit</b>	<b>(165)</b>	<b>29</b>
<b>Deferred income tax</b>		
Increase/(decrease) in deferred tax liabilities	786	612
<b>Total deferred tax expense/(benefit)</b>	<b>786</b>	<b>612</b>
<b>Income tax expense</b>	<b>621</b>	<b>641</b>

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### How the numbers are calculated (continued)

#### 2 Statement of financial position (continued)

(f) Income tax (continued)

(ii) *Reconciliation of income tax expense to prima facie tax payable*

	<b>2019</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>
Operating result before income tax	12,919	13,534
Tax at the Australian rate of 15% (2018: 15%)	1,938	2,030
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Discount on capital gains and tax exempt capital gains	(133)	(650)
Exempt pension income	(224)	(171)
Imputation credits	(952)	(534)
Other	3	(11)
Adjustments for current tax of prior periods	(11)	(23)
<b>Income tax expense</b>	<b>621</b>	<b>641</b>

(iii) *Income tax expense recognised in the statement of changes in members' benefits*

	<b>2019</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>
Contributions and transfers in recognised in the statement of changes in members' benefits	23,492	16,624
Tax at the Australian rate of 15% (2018: 15%)	3,524	2,494
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Non assessable contributions and transfers in	(2,219)	(1,346)
Anti detriment paid on death benefits	(2)	(12)
Other	(81)	(94)
<b>Total</b>	<b>1,222</b>	<b>1,042</b>

**How the numbers are calculated (continued)**

**2 Statement of financial position (continued)**

(f) Income tax (continued)

(iv) *Deferred tax balances*

The movements in temporary differences during the year were:

	Beginning of year \$m	Recognised in income statement \$m	End of year \$m
<b>At 30 June 2019</b>			
<b>Deferred tax asset</b>			
Payables	25	6	31
<b>Deferred tax liability</b>			
Unrealised gains on financial instruments	(2,495)	(792)	<b>(3,287)</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>(2,470)</b>	<b>(786)</b>	<b>(3,256)</b>
<b>At 30 June 2018</b>			
<b>Deferred tax asset</b>			
Payables	23	2	25
<b>Deferred tax liability</b>			
Unrealised gains on financial instruments	(1,881)	(614)	<b>(2,495)</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>(1,858)</b>	<b>(612)</b>	<b>(2,470)</b>

## How the numbers are calculated (continued)

### 3 Income statement

#### (a) 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) Interest

Interest income is recognised in the income statement for all financial instruments that are held at fair value through the effective interest method. Income from cash and cash equivalents is presented as interest income. Interest income on assets held at fair value in the income statement is included in net changes in fair value of financial instruments.

##### (ii) 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.

##### (iii) Net changes in fair value of financial instruments

Net changes in financial assets measured at fair value:

	<b>2019</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>
Cash and cash equivalents	150	72
Listed equity securities	5,360	8,257
Fixed interest securities	1,710	200
Derivatives	(1,894)	(1,060)
Unlisted unit trusts	1,483	2,108
Unlisted equity securities	50	58
	<b>6,859</b>	<b>9,635</b>

Changes in the fair value of investments are recognised in the income statement and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

##### (iv) Other investment income and sundry income

Other investment income is primarily securities lending income. Sundry income relates to the insurance premiums retained by the Fund to cover the cost of the insurance product and the Premium Adjustment Model as described in note 9(d).

**How the numbers are calculated (continued)**

**3 Income statement (continued)**

(b) 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 income statement in net changes in fair value of financial instruments.

(c) Investment expenses

Master custodian and investment manager fees and other investment expenses are recognised on an accruals basis and represent costs incurred directly by the Fund in managing the investment portfolio. They do not include fees incurred within underlying investment vehicles. Total investment expenses including direct and indirect expenses are recovered from members by deducting an investment fee from investment returns before they are credited to members' accounts.

(d) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence expenses have been recognised in the income statement 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.

## AustralianSuper Annual financial report 30 June 2019

### How the numbers are calculated (continued)

#### 4 Statement of cash flows

##### (a) Cash and cash equivalents

	<b>2019</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>
Cash and cash equivalents	<u>6,463</u>	<u>6,035</u>

##### (b) Reconciliation of operating result after income tax to net cash inflow (outflow) from operating activities:

	<b>2019</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>
<b>Net operating result for the period after income tax</b>	<b>(92)</b>	<b>198</b>
Movements in fair value of financial instruments	(6,859)	(9,635)
Death and disability benefits received	308	362
Insurance premiums paid	(545)	(614)
Net benefits allocated to members	12,390	12,695
Change in operating assets and liabilities		
(Increase) decrease in receivables	32	(81)
Increase (decrease) in payables	37	12
Increase (decrease) in current tax payable	103	(507)
Increase (decrease) in deferred tax payable	786	612
<b>Net cash inflow (outflow) from operating activities</b>	<b><u>6,160</u></b>	<b><u>3,042</u></b>

##### (c) Non-cash financing activities

There were no non-cash financing activities during the year (2018: nil).

## **How the numbers are calculated (continued)**

### **5 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. 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 Note 2(d) Fair value measurement of financial assets and liabilities.

### **6 Insurance arrangements**

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

The Fund collects premiums from members on behalf of the insurer. Therefore insurance premiums are not expenses of the Fund and do not give rise to insurance liabilities. Similarly insurance claim amounts are not income of the Fund and do not give rise to reinsurance assets. Insurance premiums charged to members and insurance claims paid by the insurer are recognised in the statement of changes in members' benefits.

### **7 Members' benefits**

Obligations relating to members' benefits are recognised as liabilities. They 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>2019</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>
Members' account balances - accumulation	145,126	122,841
Members' account balances - retirement	21,024	16,565
	<u><b>166,150</b></u>	<u><b>139,406</b></u>

## **Risk management**

### **8 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 Trustee 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 Trustee through approving the investment objectives and strategic asset allocation investment ranges for each investment plan. The Trustee ensures effective structures, policies, processes and 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, monitoring the key risk exposures within the portfolio 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 reporting from management and external advisers.

#### **(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. Changes in market prices are reflected in earnings credited to members. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

##### *(i) Currency risk*

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

Derivatives and currency overlays are utilised to actively manage the level of currency exposure in line with the Fund's strategic asset allocation for each investment option which specifies the range for currency exposure. This is reviewed on a regular basis and reported to the Investment Committee.

The Fund monitors the exposure of all foreign currency denominated assets and liabilities and hedges according to the currency exposure range specified for each investment option.



**Risk management (continued)**

**8 Financial risk management (continued)**

(b) Market risk (continued)

(i) Currency risk (continued)

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

<b>2019</b>	<b>USD</b>	<b>GBP</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
	<b>A\$m</b>	<b>A\$m</b>	<b>A\$m</b>	<b>currencies</b>	<b>A\$m</b>
				<b>A\$m</b>	
Cash and cash equivalents	1,330	95	388	485	<b>2,298</b>
Listed equity securities	29,637	3,175	6,499	8,915	<b>48,226</b>
Fixed income securities	8,013	400	1,888	2,865	<b>13,166</b>
Unlisted unit trusts	591	2,710	529	96	<b>3,926</b>
Receivables for securities sold	568	10	29	49	<b>656</b>
Payables for securities purchased	(1,372)	(9)	(6)	(14)	<b>(1,401)</b>
Increase (decrease) from derivative contracts	(36,726)	(276)	(1,916)	(511)	<b>(39,429)</b>
<b>Net exposure to foreign exchange risk</b>	<b>2,041</b>	<b>6,105</b>	<b>7,411</b>	<b>11,885</b>	<b>27,442</b>

<b>2018</b>	<b>USD</b>	<b>GBP</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
	<b>A\$m</b>	<b>A\$m</b>	<b>A\$m</b>	<b>currencies</b>	<b>A\$m</b>
				<b>A\$m</b>	
Cash and cash equivalents	1,358	108	202	468	<b>2,136</b>
Listed equity securities	21,717	3,578	5,467	7,719	<b>38,481</b>
Fixed income securities	6,336	259	736	1,713	<b>9,044</b>
Unlisted unit trusts	2,186	2,350	861	4	<b>5,401</b>
Receivables for securities sold	59	34	15	33	<b>141</b>
Payables for securities purchased	(720)	(20)	(29)	(114)	<b>(883)</b>
Increase (decrease) from derivative contracts	(25,101)	(3,134)	(3,251)	(3,252)	<b>(34,738)</b>
<b>Net exposure to foreign exchange risk</b>	<b>5,835</b>	<b>3,175</b>	<b>4,001</b>	<b>6,571</b>	<b>19,582</b>

Of the remaining Other currencies exposure 58.7% (2018: 55.4%) was attributable to investments denominated in Hong Kong Dollars, Japanese Yen and Swiss Francs (2018: Hong Kong Dollars, Japanese Yen and Swiss Francs).

The table on page 28 summarises the sensitivity of the Fund's financial assets and liabilities to currency risk.

**Risk management (continued)**

**8 Financial risk management (continued)**

(b) Market risk (continued)

(ii) *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 uses 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>2019</b>	<b>Fixed interest rate \$m</b>	<b>Floating interest rate \$m</b>	<b>Total \$m</b>
Cash and cash equivalents	-	6,463	<b>6,463</b>
Fixed income securities	22,516	19,413	<b>41,929</b>
Increase (decrease) from derivative contracts	(757)	726	<b>(31)</b>
<b>Net exposure to interest rate risk</b>	<b>21,759</b>	<b>26,602</b>	<b>48,361</b>

<b>2018</b>	<b>Fixed interest rate \$m</b>	<b>Floating interest rate \$m</b>	<b>Total \$m</b>
Cash and cash equivalents	-	6,035	<b>6,035</b>
Fixed income securities	13,938	16,417	<b>30,355</b>
Increase (decrease) from derivative contracts	(892)	907	<b>15</b>
<b>Net exposure to interest rate risk</b>	<b>13,046</b>	<b>23,359</b>	<b>36,405</b>

The table on page 28 summarises the sensitivity of the Fund's assets to interest rate risk.

(iii) *Price risk*

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices 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.

**Risk management (continued)**

**8 Financial risk management (continued)**

(b) Market risk (continued)

(iii) Price risk (continued)

Where non-monetary financial instruments are denominated in currencies other than the Australian dollar the price in the future will also fluctuate because of changes in foreign exchange rates.

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

Price risk is further managed by undertaking 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 are reported to the Investment Committee.

As at 30 June the fair value of financial assets exposed to price risk were as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>
Equity securities	84,476	74,138
Unlisted unit trusts	36,873	32,214
Unlisted equity securities	534	480
<b>Net exposure to price risk</b>	<b><u>121,883</u></b>	<b><u>106,832</u></b>

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>2019</b>	<b>2018</b>
	<b>Fund's equity portfolio</b>	<b>Fund's equity portfolio</b>
	<b>(%)</b>	<b>(%)</b>
Communication services	8.1	1.7
Consumer discretionary	11.1	12.7
Consumer staples	8.7	10.1
Energy	3.9	4.0
Financials	20.5	21.8
Health care	12.0	11.5
Industrials	10.1	8.9
Information technology	11.4	15.0
Materials	10.9	10.9
Real estate	2.3	1.8
Utilities	1.0	1.6
	<b><u>100</u></b>	<b><u>100</u></b>

This note has been updated to reflect the latest Global Industry Classification Standard

**Risk management (continued)**

**8 Financial risk management (continued)**

(b) Market risk (continued)

*Summarised sensitivity analysis*

The following tables summarise the sensitivity of the Fund's operating result and net assets available for members' 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, foreign exchange rates and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors. 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>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
	<b>-10%</b>	<b>+10%</b>	<b>-10%</b>	<b>+10%</b>
<b>USD</b>	(204)	204	(584)	584
<b>GBP</b>	(611)	611	(317)	317
<b>Euro</b>	(741)	741	(400)	400
<b>Other currencies</b>	(1,189)	1,189	(657)	657
	<b>(2,745)</b>	<b>2,745</b>	<b>(1,958)</b>	<b>1,958</b>

<b>Interest rate risk</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
	<b>-1%</b>	<b>+3%</b>	<b>-1%</b>	<b>+3%</b>
	(484)	1,451	(364)	1,092

<b>Price risk</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
	<b>-10%</b>	<b>+10%</b>	<b>-10%</b>	<b>+10%</b>
	(12,188)	12,188	(10,683)	10,683

(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 Fund is exposed to counterparty credit risk on certain investments including debt securities, 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, as well as ongoing monitoring of the investment portfolio by the investment team.

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.

The Fund's maximum credit risk exposure to derivative instruments as at the reporting date is as shown in note 2(e) under the heading net amount.

**Risk management (continued)**

**8 Financial risk management (continued)**

(c) Credit risk (continued)

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

*Debt securities*

The Fund invests in fixed income securities some of which are rated by external ratings agencies. For unrated assets the Trustee assesses credit risk using an approach similar to that used by external ratings agencies. An analysis of debt securities by rating is set out in the following table:

	<b>2019</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>
<b>Rating</b>		
Long term A and above or short term equivalent	30,699	18,858
Long term B and above to below A or short term equivalent	4,517	5,690
Long term below B or short term equivalent	798	822
Not rated	5,915	4,985
	<u><b>41,929</b></u>	<u><b>30,355</b></u>

Debt securities included in the not rated category are securities that do not have a third party credit rating at the security level and primarily relate to debt securities with various corporations. In recent years the Fund has increased its internal capabilities to lend money directly to corporates of appropriate credit quality. Non rated loans are valued on a regular basis by independent valuers.

*Derivatives*

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 Fund 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 2(e).

*Securities lending*

Under securities lending arrangements the legal title to certain asset of the Fund have been transferred to other entities notwithstanding the fact that the risks and benefits of ownership of the assets remain with the Fund. The risks and rewards of ownership to which the Fund remains exposed are currency risk, interest rate risk, credit risk and price risk. As the Fund retains the risks and benefits of ownership, assets that have been loaned have not been derecognised.

The Fund participates in securities lending programs through agency arrangements with JP Morgan Chase Bank NA and directly with approved third party borrowers.

**Risk management (continued)**

**8 Financial risk management (continued)**

(c) Credit risk (continued)

*Securities lending (continued)*

The financial assets transferred to other entities under securities lending arrangements include Australian and International equities and fixed interest securities. The fair value of financial assets on loan at reporting date was \$11,909 million (2018: \$10,101 million).

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 require 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 \$13,364 million (2018: \$10,832 million). No collateral has been sold or repledged during the year.

JP Morgan Chase Bank NA, as lending agent, in some transactions indemnifies the Fund for replacement of loaned securities due to a borrower default on a security loan.

(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.

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.

The contractual maturity of financial liabilities is set out below.

**Risk management (continued)**

**8 Financial risk management (continued)**

(d) Liquidity risk (continued)

<b>2019</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>Greater than 1 year</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Members' benefits	166,150	166,150	166,150	-	-	-
Payables	181	181	181	-	-	-
Payable for securities purchased	1,378	1,378	1,378	-	-	-
Derivative liabilities	777	777	288	274	95	120
	<b>168,486</b>	<b>168,486</b>	<b>167,997</b>	<b>274</b>	<b>95</b>	<b>120</b>
<b>2018</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>Greater than 1 year</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Members' benefits	139,406	139,406	139,406	-	-	-
Payables	133	133	133	-	-	-
Payable for securities purchased	1,205	1,205	1,205	-	-	-
Derivative liabilities	1,125	1,125	45	930	65	85
	<b>141,869</b>	<b>141,869</b>	<b>140,789</b>	<b>930</b>	<b>65</b>	<b>85</b>

Members' 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.

(e) Environmental, Social and Governance factors

Given the importance of Environmental, Social and Governance ("ESG") factors in managing risk and maximising long-term returns for members, consideration of ESG and Stewardship issues are integral to the Fund's investment processes.

Oversight of the Fund's ESG and Stewardship Policy is the responsibility of the Investment Committee, and the Investment Department is responsible for its implementation.

The objective of the Fund's ESG and Stewardship programme is to ensure that ESG risks and opportunities are integrated into the investment processes and to guide the Fund's stewardship activities so as to promote long-term value for our members.

It is envisaged that adherence to the guiding principles will lead to improved risk management and investment returns over the long-term. The key issues at the moment include board effectiveness, executive remuneration, climate change, maintaining a sustainable work force and gender diversity and inclusion.

## **Other information**

### **9 Reserves**

#### **(a) Operational Risk Financial Reserve**

The 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 assessment of the risks faced by the Fund and the requirements of the APRA Superannuation Prudential Standards SPS 114.

#### **(b) Investment reserve**

The reserve is used to accumulate investment income prior to it being allocated to Members' accounts. The investment reserve comprises the difference between the cumulative amount of investment income earned (net of expenses and tax) and the cumulative amount of investment income allocated to members' accounts. The reserve also partially funds increases that may be required to the Operational Risk Financial Reserve.

#### **(c) Administration reserve**

The purpose of the reserve is to fund the operations of the Trustee office and enhance member services, extend the product range of the Fund and fund changes to achieve operational efficiencies. The reserve also partially funds increases that may be required to the Operational Risk Financial Reserve. Account keeping fees charged to members fund the reserve.

#### **(d) Insurance reserve**

The 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 members' accounts and premiums becoming due to the insurer under insurance contracts, noting that premiums due to the insurer may be adjusted upwards or downwards under the Fund's Premium Adjustment Model (incorporated in the Fund's insurance contract) depending upon claims experience.



**Other information (continued)**

**10 Directors and 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:

<b>Member nominated</b>	<b>Employer nominated</b>	<b>Independent</b>
J Angrisano P Bastian	G Coyne L Di Bartolomeo	J Craig D Russell (appointed 2 May 2019)
B Daley	J Dixon (appointed 26 September 2019)	
D Oliver	H Ridout (resigned 26 September 2019)	
D Walton	G Willis I Willox	

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

<b>Member nominated</b>	<b>Employer nominated</b>
N Apple B Crofts W Kensett-Smith (resigned 23 November 2018) R Lewtas M O'Neil C Pace	P Burn A Flanagan S Kay G Stamas

(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. These committee members are R Maddox, M Nicolaides, and S Weston.

Other key management personnel were I Silk, Chief Executive Officer, M Delaney, Deputy Chief Executive Officer and Chief Investment Officer, S Blackmore, Group Executive Member Experience, A Cavanagh, Group Executive Risk (previously Group Executive Corporate Services, resigned 26 September 2019), P Curtis, Group Executive Finance and Operations (appointed to the Executive Committee 1 February 2019, appointed Group Executive Finance and Operations 5 August 2019), M Glover, Group Executive, People and Culture (appointed 25 July 2018) R Kerlin, Group Executive Membership, P Schroder, Group Executive Product, Brand and Reputation, F Trewin, Group Executive Technology Services (appointed 23 July 2018).

**Other information (continued)**

**10 Directors and key management personnel (continued)**

(c) Remuneration of key management personnel

Key management personnel are paid by the Trustee.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Short term benefits	7,119	6,111
Post employment benefits (superannuation)	363	318
Long term benefits (long service leave)	202	162
	<u><b>7,684</b></u>	<u><b>6,591</b></u>

(d) Transactions with key management personnel

The following key management personnel were members of AustralianSuper during the reporting period and up to the date of the financial report (including comparative year): J Angrisano, N Apple, P Bastian, S Blackmore, P Burn, A Cavanagh, G Coyne, J Craig (exited the Fund 5 December 2018), B Crofts, B Daley, M Delaney, L Di Bartolomeo, A Flanagan, J Foley, S Kay, R Kerlin, R Lewtas, M Glover, M Nicolaidis, D Oliver, M O'Neil, C Pace, H Ridout, P Schroder, I Silk, G Stamas, F Trewin, D Walton, S Weston, G Willis, and I Willox. Their membership terms and conditions were the same as those applied to other members of the Fund.

**Other information (continued)**

**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 and participating unions.

The Trustee paid the Australian Industry Group (“AiGroup”) \$207,000 (2018: \$195,700) and the Australian Council of Trade Unions (“ACTU”) \$207,000 (2018: \$210,000) for advertising related opportunities and general marketing for AustralianSuper. The Trustee also paid AiGroup \$130,000 (2018: \$120,000) and ACTU \$20,000 (2018: \$0) for directors fees for AustralianSuper directors and alternate directors who were employed by AiGroup and ACTU.

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>Fees paid and payable</b>	<b>2019</b>	<b>2018</b>
Trustee services fee paid and payable by the Fund to the Trustee *	\$486 million	\$411 million
Amount payable by the Fund to the Trustee at the end of the reporting period	\$29.9 million	\$18.8 million
Expenses prepaid by the Fund	\$66.5 million	\$54.2 million
Accrued income receivable from the Fund	\$42.6 million	\$30.3 million

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

(b) Transactions with other entities

The Trustee paid the following amounts to the organisations that employ either a Director or Alternate Director of the Trustee. Directors’ remuneration is set with reference to rates paid by comparable businesses in the financial services industry. Other payments includes advertising, marketing and education services for AustralianSuper and are made on normal commercial terms.

<b>2019 Organisation</b>	<b>Directors' payments</b>	<b>Other payments</b>	<b>Total payments</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Australian Manufacturing Workers' Union	84,000	185,000	<b>269,000</b>
Australian Workers' Union	50,000	190,500	<b>240,500</b>
Finance Sector Union	40,000	29,500	<b>69,500</b>
United Voice	-	180,000	<b>180,000</b>
<b>Total</b>	<b>174,000</b>	<b>585,000</b>	<b>759,000</b>

**Other information (continued)**

**11 Related parties (continued)**

(b) Transactions with other entities (continued)

<b>2018 Organisation</b>	<b>Directors' payments \$</b>	<b>Other payments \$</b>	<b>Total payments \$</b>
Australian Manufacturing Workers' Union	78,000	219,000	<b>297,000</b>
Australian Workers' Union	59,000	210,000	<b>269,000</b>
Finance Sector Union	31,000	30,000	<b>61,000</b>
Manufacturing Division - Construction, Forestry, Maritime, Mining and Energy Union*	18,000	30,000	<b>48,000</b>
United Voice	6,000	185,000	<b>191,000</b>
<b>Total</b>	<b>192,000</b>	<b>674,000</b>	<b>866,000</b>

\* In 2018 this was labelled Textile, Clothing and Footwear Union which merged with CFMEU in March 2018

(c) Related party investments and transactions

Details of the Fund's related party investments and transactions are listed below.

(i) *Industry Super Holdings Pty Ltd (ISH)*

The Fund held a 19.95% (2018: 20.6%) shareholding in ISH valued at \$198,345,000 (2018: \$171,689,000). ISH has a number of subsidiary companies, one of which manages investments on behalf of the Fund. IFM Investors 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 \$46,076,635,000 (2018: \$33,970,994,000) on behalf of the Fund and received \$67,438,000 (2018 \$64,664,000) 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 \$34,812,000 (2018: \$32,808,000). The income earned on the portfolios managed by IFM was \$3,305,154,000 (2018: \$2,589,752,000).

ISH has various other subsidiaries with which the Fund transacts. These non-investment transactions are summarised in the following table.

<b>Company</b>	<b>Nature of transaction</b>	<b>2019 \$</b>	<b>2018 \$</b>
Industry Fund Services Limited	Financial planning, arrears collection and other member services	2,556,000	3,395,000
Industry Super Australia Pty Ltd	Marketing services	5,187,000	5,454,000
IFS Insurance Solutions Pty Ltd	Insurance services	1,156,000	846,000

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

L Di Bartolomeo is a director of The New Daily Pty Ltd, a wholly owned subsidiary of ISH. In the year ended 30 June 2019 the Trustee paid L Di Bartolomeo \$25,700 (2018: \$25,200) for being AustralianSuper's nominee on the Board of The New Daily.

**Other information (continued)**

**11 Related parties (continued)**

(c) Related party investments and transactions (continued)

*(ii) Members Equity Bank Limited (ME)*

The Fund held a 20.4% (2018: 20.4%) shareholding in ME valued at \$255,769,000 (2018: \$243,132,000). 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.

ME managed a portfolio on behalf of the Fund and received \$53,000 (2018: \$69,000) in fees for the management of the portfolio. These fees included fees paid to an underlying investment manager and management fees paid directly to ME of \$19,000 (2018: \$38,000). The portfolio was valued at \$26,160,000 (2018: \$28,115,000) and the income earned was \$1,589,000 (2018: \$2,391,000). The Fund also had \$674,496,000 (2018: \$568,856,000) invested in cash and short term deposits with ME at year end. The income earned on this portfolio was \$11,506,000 (2018: \$8,342,000).

*(iii) ISPT Pty Ltd (ISPT)*

The Fund held a 16.0% (2018 15.4%) shareholding in ISPT valued at \$0 (2018: \$0). ISPT manages a range of unlisted property funds on behalf of the Fund and other institutional clients. ISPT in its capacity as trustee managed portfolios totalling \$4,307,374,000 (2018: \$3,868,662,000) on behalf of the Fund and received \$11,423,000 (2018: \$10,739,000) 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 of \$11,325,000 (2018: \$10,092,000). The income earned on this portfolio was \$274,384,000 (2018: \$465,364,000).

B Daley was a director of ISPT Pty Ltd, IIPT Pty Ltd, a subsidiary of ISPT Pty Ltd, and ISPT Operations Pty Ltd during the year ended 30 June 2019.

*(iv) Frontier Advisors Pty Ltd (Frontier)*

The Fund held a 31.0% (2018: 31.0%) shareholding of ordinary shares valued at \$1,571,000 (2018: \$1,300,000) in Frontier. Frontier provides investment consulting services to the Fund and other institutional clients. Frontier received fees from AustralianSuper for investment consulting services. These fees were \$1,449,000 (2018: \$1,389,000).

L Di Bartolomeo was a director of Frontier Advisors Pty Ltd in the year ended 30 June 2019.

*(v) Bellwether Holdings Pty Ltd*

During the year ended 30 June 2019 the Trustee paid an amount of \$45,000 (2018: \$60,000) for consultancy fees to Bellwether Holdings Pty Ltd a company 100% owned by J Craig.

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

**Other information (continued)**

**11 Related parties (continued)**

(c) Related party investments and transactions (continued)

(vi) *AustralianSuper (UK) Limited*

AustralianSuper (UK) Limited, a wholly owned subsidiary of the Fund domiciled in the UK, was incorporated to provide investment management services to the Fund. AustralianSuper (UK) Limited is entitled to receive service fees, calculated by reference to the costs it incurs. Fees paid and payable by the Trustee and the Fund to AustralianSuper (UK) Limited during the year totalled \$6,447,000 (2018: \$6,345,000). The Trustee has a net amount payable of \$1,261,000 (2018: \$325,818 receivable) to AustralianSuper (UK) Limited at year end.

(vii) *Royal Automobile Club of Victoria*

During the year ended June 2019 the Trustee paid an amount of \$10,000 (2018: \$0) to the Royal Automobile Club of Victoria for the hire of event space. A Flanagan was employed by the Royal Automobile Club of Victoria during the year ended 30 June 2019.

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

(viii) *S Weston*

During the year ended 30 June 2019 the Trustee employed S Weston on a short term contract. S Weston received remuneration of \$149,000 (2018: \$0).

(ix) *SuperFriend – Industry Funds Mental Health Initiative (SuperFriend)*

SuperFriend advocates for, equips and empowers profit-to-member superannuation funds and insurers to achieve mentally healthy workplaces for their staff and members. During the year the Fund paid \$4,000 (2018: \$0) to SuperFriend.

P Schroder is a director of SuperFriend.

(x) *Other significant investments*

The Fund has significant investments in the following entities:

Entity	Equity holding	
	2019	2018
	%	%
Ala Moana	25.00	25.00
Ausgrid	25.00	25.00
Hermes CMK *	50.00	50.00
Kings Cross *	67.51	67.51
NSW Ports	20.00	20.00
WestConnex	20.50	-

\*Included in controlled entities note (Hermes CMK included in AS Property No 1 LLC)

These investment are included in the relevant investment categories in the Statement of financial position. There have been no transactions with these entities other than normal investment activities and distributions.

**Other information (continued)**

**11 Related parties (continued)**

(d) Controlled entities

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

- the Fund has obtained funds from members for the purpose of providing them with investment management services;
- the Fund's business purpose, which it communicated directly to members, is investing solely for returns from capital appreciation and investment income; and
- 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 fair 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 fair 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 fair value of investments held in the controlled entities and commitments to these entities are shown below:

<b>2019 Asset class</b>	<b>Number of controlled entities</b>	<b>Fair value of controlled entities \$'000</b>	<b>Commitments to controlled entities \$'000</b>
Australian infrastructure	9	6,847,128	114,000
International infrastructure	3	496,884	242,679
International credit	2	1,130,467	91,615
Australian private equity	3	230,761	92,749
International private equity	3	4,501,659	3,030,786
Australian property	1	173,781	25,000
International property	8	4,762,553	360,176
<b>Total</b>	<b>29</b>	<b>18,143,233</b>	<b>3,957,005</b>

## AustralianSuper Annual financial report 30 June 2019

### Other information (continued)

#### 11 Related parties (continued)

##### (d) Controlled entities (continued)

2018 Asset class	Number of controlled entities	Fair value of controlled entities \$'000	Commitments to controlled entities \$'000
Australian infrastructure	7	5,169,931	-
International infrastructure	3	430,131	-
International credit	4	805,986	87,027
Australian private equity	2	150,148	31,084
International private equity	2	3,615,754	2,485,596
Australian property	2	156,487	55,000
International property	6	4,261,246	241,542
<b>Total</b>	<b>26</b>	<b>14,589,683</b>	<b>2,900,249</b>

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

Name of entity	Equity holding		Value	
	2019 %	2018 %	2019 \$'000	2018 \$'000
AustralianSuper Property Pty Ltd	100	100	-	10,766
AustralianSuper Investment Fund	100	100	26,333	65,737
AustralianSuper Investment Fund No 2	100	100	214,247	90,307
AustralianSuper Investment Fund No 4	100	100	3,357	4,044
AustralianSuper Investment Fund No 5	100	100	256,304	274,088
AustralianSuper Private Equity Trust	100	100	116,817	149,015
AustralianSuper Investment Fund No 3	100	100	4,496,853	3,615,619
- Hamilton Lane Parallel Investors (AS) LP	99	99	1,314,153	1,113,181
- AS Private Equity Co-Invest LP	99	99	347,562	134
- HL/AS Global Co-Invest LP	99	-	349,964	-
- Blackrock ASF Private Opportunities Fund LP	99	-	65,572	-
AS Private Equity Co-Invest LLC	100	100	3,622	135
- AS Private Equity Co-Invest LP	1	-	3,511	-
AustralianSuper Research Pty Ltd	100	100	1,149	1,133
AustralianSuper (UK) Limited	100	100	1,184	1,167
AS Infrastructure No 1 (Operating) Pty Ltd	100	100	247,062	220,776
AS Infrastructure No 1 (Holding) Trust	100	100	928,152	837,887
AS Infrastructure No 2 (Operating) Trust	100	100	247,349	231,317
AS Infrastructure No 2 (Holding) Trust	100	100	1,526,927	1,432,265
AS Infrastructure No 3 (Operating) Trust	100	100	598,894	759,386
AS Infrastructure No 3 (Holding) Trust	100	100	1,758,658	1,682,049
AS Infrastructure WestConnex Holding Trust	100	-	485,067	-
AS Infrastructure WestConnex Operating Trust	100	-	1,046,297	-
Mindarie Investment Trust	100	100	8,721	6,252
- Biovision 2020 Holdings Pty Ltd	70	70	8,721	6,252
- Biovision Holdings Pty Ltd	70	70	8,721	6,252



## AustralianSuper Annual financial report 30 June 2019

### Other information (continued)

#### 11 Related parties (continued)

##### (d) Controlled entities (continued)

Name of entity	Equity holding		Value	
	2019 %	2018 %	2019 \$'000	2018 \$'000
AS Property No 1 LLC	100	100	579,220	642,089
AS Property No 2 LLC	100	100	9,610	9,157
- AS Property No 2 LP	0.52	0.52	8,753	8,849
AS Property No 2 Trust	100	100	18,697	17,701
- AS Property No 2 LP	1	1	17,505	17,017
AS Property No 2 LP Trust	100	100	2,175,456	2,040,700
- AS Property No 2 LP	98.48	98.48	1,724,272	1,675,875
- AS Property No 2 REIT	100.0	100	729,714	741,056
- AS Property Pearl REIT	100.0	100	916,528	870,694
- AS Property Nixon REIT	100.0	100	131,095	91,844
- AS Property Anson REIT	100.0	100	80,793	74,821
- AS Property Baseline REIT	100.0	100	90,132	15,775
AS Property No 3 LLC	100.0	100	1,879,519	1,547,555
- Kings Cross Central Property Trust	67.5	67.5	1,779,597	1,535,174
- Kings Cross Central LP	99.92	99.92	1,781,022	1,522,076
Kings Cross Central GP	67.5	67.5	836	824
- Kings Cross Central LP	0.08	0.08	1,425	1,229
AS Residential Property Trust	100	100	173,781	145,721
- AS Residential Property No 1 Trust	100	100	99,187	92,845
- AS Residential Property No 2 Trust	100	100	74,564	52,881
AustralianSuper International Credit Trust	100	100	59,462	38
AustralianSuper RAAD Trust	100	100	1,071,005	805,948
AS Direct Australian Equities Trust	100	-	112,795	-
AS NZ Property (Wiri) Trust	100	-	95,858	-

The above entities are domiciled in Australia with the exception of AS Property No 1 LLC, AS Property No 2 LLC, AS Property No 3 LLC and AS Private Equity Co-Invest LLC which are domiciled in the USA. In addition to the above, the Fund also controlled 20 (2018: 16) 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 (2018: \$2 or less).

In prior years an investment in Perth Airport Holding Trust (2018: \$184,555) was recognised as a controlled entity. As this is not a controlled entity and was not a controlled entity at 30 June 2018 it has been removed from the comparative in both tables above.

**Other information (continued)**

**12 Auditor's remuneration**

Auditors' remuneration is paid by the Trustee, it forms part of Trustee fees charged to the Fund. Fees disclosed include all fees paid by the Trustee on behalf of all entities in the AustralianSuper group as set out in note 11(c).

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts paid and payable to PwC Australia for:		
Audit of financial statements	537	657
Other assurance services	127	120
Other services	313	197
	<u>977</u>	<u>974</u>
Amounts paid and payable to PwC UK for:		
Audit of financial statements and regulatory returns	73	60
<b>Total</b>	<u>1,050</u>	<u>1,034</u>

**13 Commitments**

The commitments of the Fund at the reporting date that have not been recognised as liabilities are detailed below.

	<b>2019</b>	<b>2018</b>
	<b>\$m</b>	<b>\$m</b>
<b>Committed to</b>		
Unlisted unit trusts	5,095	3,824
<b>Total</b>	<u>5,095</u>	<u>3,824</u>

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

**14 Events occurring after the reporting period**

No significant events have occurred since the end of the reporting period that would impact upon the financial position of the Fund disclosed in the statement of financial position as at 30 June 2019 or on the results and cash flows of the Fund for the year ended on that date.

**15 Other accounting policies**

*(i) New and amended standards adopted*

AASB 9 *Financial Instruments* replaced the multiple classification and measurement models in AASB 139 *Financial Instruments* and is mandatory for periods commencing 1 January 2018. This did not have a significant impact on the Fund's financial instruments as they are carried at fair value through the income statement.

**Other information (continued)**

**15 Other accounting policies (continued)**

*(ii) New and amended standards adopted (continued)*

AASB 16 *Leases* includes significant changes for lease accounting, particularly for lessees, as almost all leases will go on balance sheet with the distinction between operating and finance leases being removed. The standard is mandatory for periods commencing on or after 1 January 2019; the Trustee does not expect this to have a significant impact on the Fund's financial statements. The Trustee does not intend to early adopt the standard.

**(b) Rounding**

All values in the financial report are rounded to the nearest million dollars except where otherwise indicated.

## AustralianSuper Annual financial report 30 June 2019

### Trustee's declaration

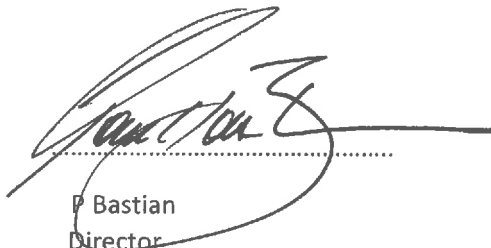
#### In the opinion of the Trustee of AustralianSuper:

- (a) the accompanying financial statements and notes set out on pages 3 to 43 are in accordance with:
  - (i) Australian Accounting Standards and other mandatory professional reporting requirements and
  - (ii) give a true and fair view of the Fund's financial position as at 30 June 2019 and of its performance for the financial year ended on the date, and
- (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 2019, 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 the Board of Directors of AustralianSuper Pty Ltd as Trustee for AustralianSuper.



.....  
G Willis  
Director



.....  
P Bastian  
Director

Melbourne

26 September 2019



## ***Independent Auditor's report on financial statements***

*Report by the RSE Auditor to the trustee and members of AustralianSuper (ABN: 65 714 394 898)*

### ***Opinion***

I have audited the financial statements of AustralianSuper for the year ended 30 June 2019 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Members' Benefits, Statement of Changes in Reserves, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

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 2019 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2019.

### ***Basis for Opinion***

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

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

### ***Responsibilities of the trustee for the financial statements***

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

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

### ***Auditor's responsibilities for the audit of the financial statements***

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

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T: +61 3 8603 1000, F: +61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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

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

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'JF Power'.

JF Power  
Partner

Melbourne  
26 September 2019