

# ANNUAL REPORT

## 2017 - 18

# MISSION

State Super's mission is to provide high quality superannuation services to members to maximise their superannuation benefits and to support the NSW Government in meeting its funding objective.

## 2017–18 HIGHLIGHTS

- The State Super Pooled Fund is one of the largest superannuation funds in Australia with assets totalling more than \$43 billion (excluding the Employer Sponsor Receivable) at 30 June 2018.
- The Pooled Fund's net investment revenue for 2017–18 was \$3.7 billion
- The Trustee Selection Strategy for the Pooled Fund earned net investment revenue that resulted in an estimated effective average rate of return credited to Crown employers of 9.22% (after adjustment for exempt current pension income tax). In addition, the Trustee credited a 9.4% return to members in the Growth Strategy (after tax).
- At 30 June 2018, net Fund assets (excluding the Employer Sponsor Receivable) covered 73% of accrued liabilities (actuarially measured using the assumed earning rate of the Fund).
- State Super's annual member satisfaction rating from the 2017 survey remained consistently high at 8 out of a possible 10.
- State Super investment initiatives were undertaken, including: completed preparations for the Triennial Actuarial investigation and confirmation of key assumptions by the Board; a review and update to the Board's Investment Beliefs that are reflected in State Super's investment process; and a program of work to enhance management of State Super's DB assets by TCorp.
- Member publications including SuperViews and Pension Newsletters were produced to inform, educate and engage members on the State Super schemes.
- State Super commissioned a large scale qualitative survey with 3000 pension members to better understand their attitudes and needs in retirement and how State Super can support them through an improved relationship (Beyond Paid Work report available on the State Super website).
- State Super adopted the AIST Governance Code initiative, reflecting State Super's alignment with best practice.
- Work continues on the State Super website to enhance content, improve navigation and readability and build better educational resources for members.
- Over 1600 members attended free education seminars for SSS and SASS members on their schemes.
- Mercer Administration Services (MAS) successfully implemented an upgrade to the Acurity administration platform for the SSS and PSS schemes within a strong governance framework implemented by State Super.

# Report to the Minister

October 2018

The Hon. Dominic Perrottet, MP  
NSW Treasurer  
GPO Box 5341  
SYDNEY NSW 2001

Dear Minister,

We have pleasure in submitting to you the Annual Report of the SAS Trustee Corporation covering the period 1 July 2017 to 30 June 2018, for presentation to Parliament.

The Annual Report contains reports for:

- SAS Trustee Corporation
- SAS Trustee Corporation Staff Agency
- SAS Trustee Corporation Pooled Fund
- controlled entities of the SAS Trustee Corporation Pooled Fund<sup>1</sup>, being:
  - A-Train Unit Trust
  - Alfred Unit Trust
  - Buroba Pty Limited
  - Duquesne Utilities Trust
  - EG Core Plus Fund No.1 (Head Trust)
  - EG Core Plus Fund No.1 Holding Trust No.1
  - EG Core Plus Fund No.1 Holding Trust No.2
  - EG Core Plus Fund No.1 Holding Trust No.3
  - EG Core Plus Fund No.1 Holding Trust No.4
  - EG Core Plus Fund No.1 Holding Trust No.5
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  - EG Core Plus Fund No.1 Holding Trust No.7
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  - EG Core Plus Fund No.1 Ownership Trust No.7
  - EG Core Plus Fund No.1 Ownership Trust No.8
  - IPG Unit Trust
  - LBC Unit Trust
  - Pisco STC Funds Unit Trust No.1
  - Pisco STC Funds Unit Trust No.2
  - Project Cricket State Super Unit Trust
  - Southern Way Unit Trust
  - State Infrastructure Holdings 1 Pty Ltd
  - State Infrastructure Trust
  - Valley Commerce Pty Limited

These have been prepared in accordance with the provisions of the Annual Reports (Statutory Bodies) Act 1984, the Public Finance and Audit Act 1983, associated regulations and the Treasurer's directions.

We look forward to working with you during the coming year.

Yours sincerely



**Nicholas Johnson**  
Chairperson of the Trustee Board  
SAS Trustee Corporation



**Claire Keating**  
Board member and Chairperson,  
Risk, Audit and Compliance Committee  
SAS Trustee Corporation

<sup>1</sup> The financial statements of controlled entities of the State Super Pooled Fund are included in Part H of the Annual Report. Further information on these entities can be provided on request.

# Annual Report: 2017-18

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# Part A

## About State Super

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## Chairperson's report

This has been another successful year for State Super both in relation to performance and member services. Going from an active 2016-17 period of restructuring, negotiating new contracts with material outsourced service providers, State Super has settled into its new structure and our employees have responded with a very high employee engagement score of 77%.

The Trustee remains optimistic that we will meet our long-term investment return targets. Achieving this goal will be greatly helped by our new relationship with TCorp which acts as our prime financial adviser. The Trustee has delegated to TCorp high levels of authority over the day to day investment decisions in relation to the Trustee Selection strategy and associated transaction execution processes.

### Investment performance

The positive trend in global growth has continued into the first half of 2018, although this has tapered more recently. Share markets globally have, on the whole, performed well which has supported returns. The outlook remains positive, whilst in Australia the effects of the moderation in residential property prices could pose some domestic challenges for the economy.

Financial markets performed strongly over the 2017-18 financial year despite the ongoing geopolitical uncertainty. The Trustee was pleased with the overall return of 8.22% (9.22%)<sup>1</sup> which remained significantly above the target return of CPI +4.5% for the Trustee Selection investment strategy. The Member Investment Choice strategies performed significantly above their various target return benchmarks with the Growth option achieving a 9.43% return.

### Environmental Social and Governance (ESG) Considerations

State Super has been an advocate of utilising ESG considerations in investments for some time. We consider that we are 'universal owners' of many organisations. By this we mean that State Super is likely to be a continual substantial shareholder of many of Australia's largest organisations. As such we consider that it is appropriate to engage positively with these organisations, including through voting the fund's shares.

As a foundation member of the Australian Council of Superannuation Investors, State Super supports a body that actively engages with many of Australia's largest companies, and as a member of the Principles of Responsible Investing (PRI), and the Investor Group on Climate Change, the fund continues to support sustainable investments for the long-term.

State Super adopted the AIST Governance Code initiative, reflecting State Super's alignment with best practice.

### Member engagement

Servicing our members is one of our most important objectives. Once again State Super has delivered quality services to our members; with our satisfaction score outperforming our peer group. Our overall member research results were maintained at a rating of 8.0 out of a possible 10.

This year State Super commissioned a large-scale qualitative survey, completed by 3000 pension members to better understand their attitudes and needs in retirement and to gain insights into how we can continue to support them through an improved relationship. This work was undertaken as part of a broader stakeholder program, highlighting the significant relationship State Super maintains with its members for a long time into the future as we continue to service over 66,000 pension members.

We are continuing to focus on member education and alternative service offerings that members can access as well as our regular newsletters, educational seminars and a concerted effort to improve website content and navigation.

The excellent member services and fund performance have benefited both the members of State Super and the various participating NSW State Government institutions.

### Key Service provider updates

The re-appointment of J.P. Morgan as Custodian culminated in the signing of a Master Custody Agreement (MCA) between TCorp (on behalf of State Super and other NSW State entities) and JP Morgan, effective 28 September 2017. This year we changed our Actuary with the appointment of PwC.

With our careful oversight of Mercer, the upgrade to the Acurity administration platform was successful with no disruption to members or service delivery.

In May 2018 TCorp announced an organisational restructure of its investments division. The change is part of TCorp's development of their Investment Management Governance Model and aims to enhance TCorp's investment capability and achieve higher sustainable investment returns for its clients.

### Board changes

This year also marked the end of Karen Moses' term as an Employer Representative in March 2018. I thank Karen for her valued contribution to the Board.

I would like to welcome Carol Austin to the State Super Board. Carol was appointed as an Employer Representative in June 2018 and brings with her over 30 years' experience in the finance industry.

In closing, I would like to thank my fellow Directors, State Super CEO John Livanas, his leadership team and the State Super staff for their dedication. On a final

<sup>1</sup> after adjustment for exempt current pension income tax

note, 2019 will mark State Super's 100<sup>th</sup> year since it began on 1<sup>st</sup> July 1919.

A handwritten signature in black ink, appearing to read 'Nicholas Johnson', with a horizontal line underneath.

Nicholas Johnson  
Chairperson  
October 2018

# Chief Executive Officer's report

For 2017-18 State Super has continued to meet the funds' investment return objectives, delivering strong absolute returns across options and time periods, in accordance with our objectives. This has resulted in increased financial benefits to members and reduced net liabilities for our employer sponsors.

## Our investments

A significant proportion of our contributing members will retire over the next 10 years, given that our schemes closed between 1985 and 1992. This presents a challenge for State Super as it manages seven investment options, all with negative cashflows and shortening duration. Over the next 10 years, our portfolios will be challenged with multiple requirements which includes the need to achieve strong investment returns while managing a steepening redemptions profile and liquidity challenges for the DC funds, as well as managing to a shortening duration to 2030 when the DB needs to be fully funded. It is critical that State Super manages the portfolios to reduce impacts of falling investment returns.

State Super has delivered returns in the top two quartiles across all metrics, and we have achieved our objectives with significantly lower risk and in spite of significant cash outflows. This was also after costs of the sophisticated derivatives hedging programs to help manage the investment risks were taken into account.

The Trustee Selection and Member Investment Choice strategies (excluding cash) continued to benefit from an active tilting process during the year, to capture the strength of the market whilst protecting against significant market falls.

## Our members

Our independent annual member satisfaction research, which measures our services to members across all our service offering including contact centre, financial planning and seminars has once again shown that for 2017, member satisfaction scores exceeded peer groups and the national average, with overall member satisfaction score rated at 8.0.

This year we changed the default strategy for our deferred member group at the point when they reach age 60 to the balanced option. This applies to SASS members who have left the public sector, but can no longer contribute to SASS and yet have to leave their super in the fund in accordance with the scheme rules. Their benefit is subject to market movements, which is not necessarily the best outcome for members as they age – they have less time to recover from a market loss.

We are continuing our development of new and more enhanced services to members that will better meet their needs going into retirement. For example, our super health check member offering trial has been a huge success and is being rolled out across NSW. Additionally, improved online campaign capabilities are showing promising results with an increased uptake in online registration for seminars.

Our improvements to deliver more targeted campaigns has resulted in an increase in member response and participation. At this time when more members are seeking help before they retire, it is our duty to ensure that we manage our external service providers to deliver to State Supers' member expectations.

We continue to work with Treasury to assist in the amendment of the State Super Scheme legislation to make it more contemporary and to respond to the Commonwealth superannuation changes that could impact some of our members.

## Our people and our capabilities

### Governance framework

A recent Board and governance review provided a positive report. We have started implementing a greater rigour in our internal documentation and communication within a formally accepted delegation framework. These changes enable the Board to focus on governance matters while confident that the responsibilities and reporting of the organisation are clearly delineated.

### Heads of Government Agreement

Under the Heads of Government Agreement (HOGA), State Super is required to comply with the Commonwealth's retirement incomes policy to the best of our endeavours. We review our conformance annually and have confidence that State Super continues to meet this requirement. During 2017-18 we will again conduct a comprehensive review of our internal operations to ensure we maintain the highest standards of compliance with HOGA.

### Positive stakeholder relationships

Our enhanced engagement framework has been a very positive outcome in developing the relationships with our key stakeholders which include NSW Treasury, the various employers contributing to the funds, and the NSW Auditor General to name a few.

We have taken the step of engaging more closely with our largest cohort of members – our pensioners which has resulted in an extraordinary participation rate. Given that we will continue to serve and manage this large group for a long time to come it has been great to gain insights into how we can better serve them in their retirement.

### Operating model and workforce

Over the last few years, our strategy has called for an increase in the proportion of services outsourced by State Super.

At the end of 2016-17, the outsourced costs to run the fund has increased slightly to 95% of our overall costs. The proportion may grow over the next five years.

On this basis, we need a small but highly skilled and experienced team of professionals to provide the direction, oversight and execution of strategies. We need to maintain our intellectual property and a high level of experience and skills to ensure that the Trustee obligations to members continue to be met.

## Key supplier projects and updates

PwC appointed the Fund Actuary

Following a Tender Process, PwC was appointed as the Fund Actuary and is responsible for the funds triennial review.

Mercer Stage 1 system transition

A Systems Transition Committee was established to oversee Phase 1 and Phase 2 of Mercer's systems transition. State Super is reliant on Mercer to manage the transition and the Systems Transition Committee has been established to provide a further layer of governance. The oversight has supported Mercer implementing a successful Phase 1 transition. Phase 2 is currently planned for initiation over the next 12 months.

Deloitte appointed to support internal audit capability

Following an extensive review of the requirements for a provider to support State Super's internal audit capability, Deloitte has been appointed.

I want to take this opportunity to thank my Chair Nicholas Johnson and all the Directors for their support and all the staff of State Super who worked hard to deliver on our Corporate plan.



John Livanas  
Chief Executive Officer  
October 2018

# Overview of State Super

SAS Trustee Corporation (STC) is a statutory body representing the Crown, and incorporated under the Superannuation Administration Act 1996 (NSW) (SA Act).

As trustee of the four NSW superannuation schemes within the public sector, State Super oversees the:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS), and the
- State Authorities Non-contributory Superannuation Scheme (SANCS).

## Assets

The State Super Pooled Fund, which comprises the assets of all four schemes, had net assets of approximately \$43 billion at 30 June 2018.

## Membership

With 102,634 members at 30 June 2018, the State Super Schemes are closed to new members and a large portion of the membership has reached or is approaching retirement age.

The following table contains a summary of each scheme.

### State Authorities Superannuation Scheme (SASS)

|                                    |   |
|------------------------------------|---|
| Commencement                       | 1 April 1988, under the State Authorities Superannuation Act 1987.  |
| Scheme eligibility                 | <p>New employees in the NSW public sector were eligible to join the scheme and members of the Public Authorities Superannuation Scheme (PASS) were transferred to SASS from 1 April 1988.</p> <p>By 1990, a number of other public sector superannuation schemes were closed and members were transferred to SASS. The schemes transferred included the State Public Services Superannuation Fund (SPSSF), the Transport Gratuity Scheme and the Government Railways Superannuation Fund, among others.</p> |
| Closed to new members              | 19 December 1992  |
| Members at 30 June 2018            | Contributing members: 21,038<br>Deferred benefit members: 9,606<br>Pension members: 4,479<br>Total members: 35,123  |
| Financial position at 30 June 2018 | Net assets: \$12,950 million<br>Accrued benefits: \$14,693 million*<br>Unfunded liabilities: \$1,743 million  |
| Member benefits                    | Lump sum of employee contributions accumulated with earnings, plus an employer-financed, lump sum defined benefit based on final average salary, membership period and level of employee contributions.   |

### State Superannuation Scheme (SSS)

|                         |   |
|-------------------------|---|
| Commencement            | 1 July 1919, under the Superannuation Act 1916.   |
| Scheme eligibility      | Salaried employees of the NSW public service and teaching service were eligible to join SSS, as well as a number of statutory authorities scheduled in the Superannuation Act 1916 (NSW). |
| Closed to new members   | 1 July 1985   |
| Members at 30 June 2018 | Contributing members: 3,080<br>Deferred benefit members: 1,412<br>Pension members: 55,403<br>Total members: 59,895  |

\*Accrued benefits as measured by the actuary using the assumed earning rate of the Fund as the discount rate. Accounting standards require employers to report accrued benefits in their financial statements using a risk-free discount rate that results in a higher estimate of accrued benefits.

## State Superannuation Scheme (SSS) continued

|                                    |   |
|------------------------------------|---|
| Financial position at 30 June 2018 | <p>Net assets: \$23,226 million</p> <p>Accrued benefits: \$34,556 million*</p> <p>Unfunded liabilities: \$11,330 million</p>  |
| Member benefits                    | <p>On retirement, a defined benefit (pension or lump sum), the amount of which depends on the number of units purchased. Members contribute towards fortnightly pension units throughout their membership. The number of units' members are entitled to contribute toward is determined by their salary.</p> <p>Contributions that members make depend on their age, when the units were granted, the member's gender and, if female, whether they elected to retire at age 55 or 60.</p> |

## Police Superannuation Scheme (PSS)

|                                    |  |
|------------------------------------|--|
| Commencement                       | 1 February 1907 under the Police Regulation (Superannuation) Act 1906.   |
| Scheme eligibility                 | Members of the NSW Police Service employed prior to 1 April 1988.  |
| Closed to new members              | 1 April 1988   |
| Members at 30 June 2018            | <p>Contributing members: 913</p> <p>Deferred benefit members: 93</p> <p>Pension members: 6,610</p> <p>Total members: 7,616</p>                 |
| Financial position at 30 June 2018 | <p>Net assets: \$4,900 million**</p> <p>Accrued benefits: \$7,445 million*</p> <p>Unfunded liabilities: \$2,545 million</p>                    |
| Member benefits                    | On retirement, a defined benefit (pension or lump sum), the level of which depends on the member's final average salary and membership period. |

## State Authorities Non-contributory Scheme (SANCS)

|                                    |   |
|------------------------------------|---|
| Commencement                       | 1 April 1988 under the State Authorities Non-contributory Superannuation Act 1987.  |
| Scheme eligibility                 | Members of SASS, SSS and PSS.   |
| Closed to new members              | 19 December 1992  |
| Members at 30 June 2018            | <p>Current active members: 25,029</p> <p>Deferred benefit members: 10,497</p> <p>Total members: 35,526</p>  |
| Financial position at 30 June 2018 | <p>Net assets: \$1,945 million</p> <p>Accrued benefits: \$2,293 million*</p> <p>Unfunded liabilities: \$348 million</p>   |
| Member benefits                    | <p>SASS, SSS and PSS members receive the SANCS benefit in addition to their main scheme benefit.</p> <p>The SANCS benefit is 100% employer-funded. The benefit is generally a lump sum of up to 3% of members' final salary or final average salary, for each year of service from 1 April 1988 (or, if later, the employment commencement date).</p> |

\*Accrued benefits as measured by the actuary using the assumed earning rate of the Fund as the discount rate. Accounting standards require employers to report accrued benefits in their financial statements using a risk-free discount rate that results in a higher estimate of accrued benefits.

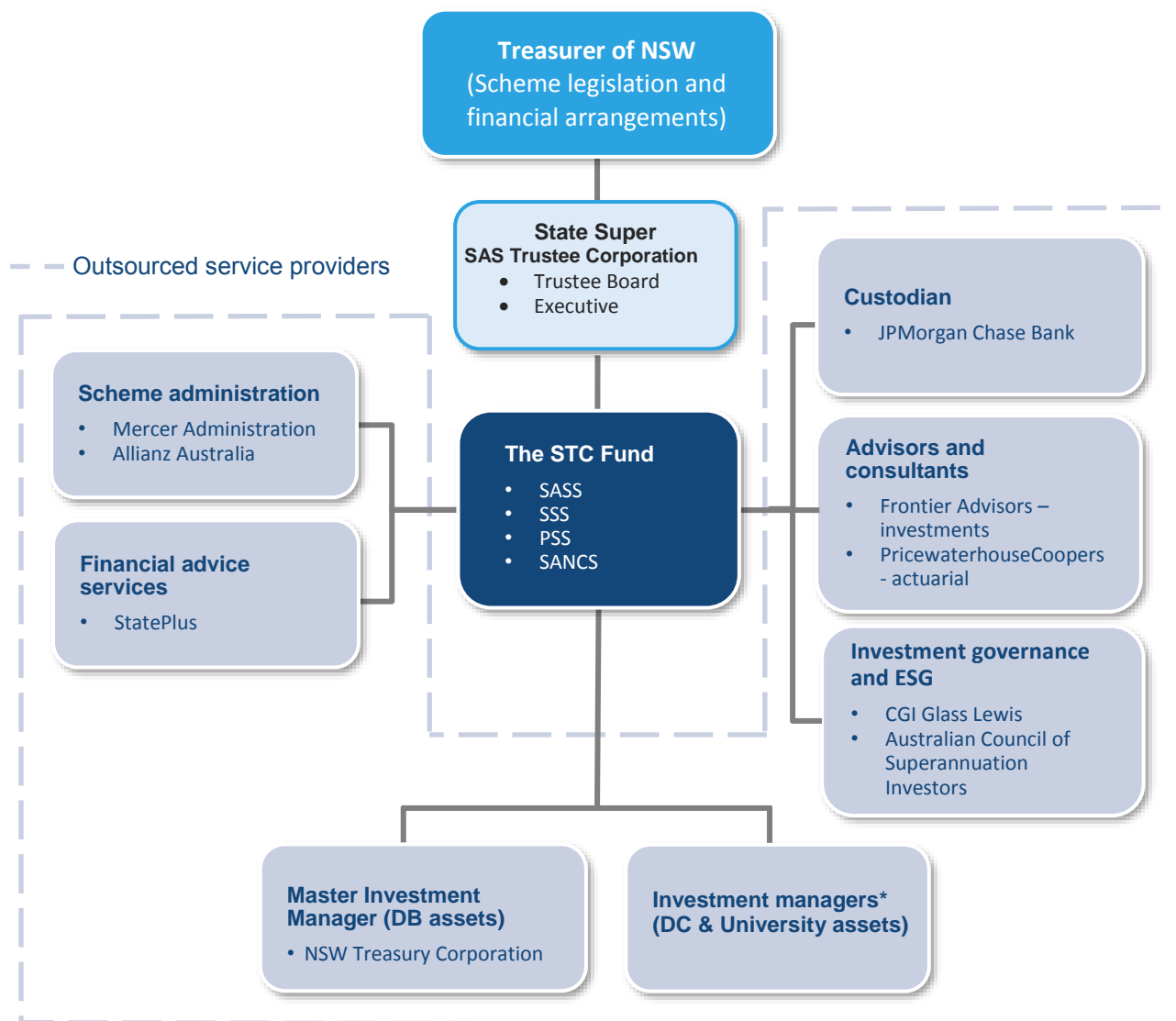
\*\* Excludes Employer Sponsor Receivable



## Organisational structure

State Super operates under the Superannuation Administration Act 1996 (SA Act) which establishes its functions, duties, powers and obligations. The SA Act also specifies requirements regarding Trustee Board composition and appointments. The minister responsible for the administration of the SA Act is the Treasurer of NSW, who also has powers to monitor the operations of State Super.

State Super's operational arrangements at 30 June 2018 are set out below:



\* Refer to pages 44 and 45 for a full list of investment managers at 30 June 2018.

# Trustee Board

## Function and role of State Super

The principal functions of State Super as set out in s. 50(1) of the SA Act are to:

- administer the State Super schemes
- invest and manage the Pooled Fund
- provide for the custody of the assets and securities of the State Super schemes
- ensure that benefits payable to persons entitled to receive benefits under the State Super schemes are paid in accordance with the Acts under which the schemes are constituted
- determine disputes under those Acts
- exercise such other functions regarding the State Super schemes and the Pooled Fund as the Minister may, from time to time, approve by order in writing.

State Super is required by the SA Act to outsource the following principal functions for the State Super schemes:

- scheme administration services
- investment management services
- custodian services

Under s. 69(5) of the SA Act the State Super Board (the Trustee Board) manages and controls the affairs of State Super. The role of the Trustee Board extends to strategy, corporate governance, risk management, policy making and monitoring. Accordingly, the Trustee Board is responsible for:

- monitoring the State Super schemes and the Pooled Fund, including the control and accountability systems
- appointing and removing the Chief Executive
- providing input to, and final approval of, the long-term strategy for the State Super schemes and annual Corporate and Business Plan
- approving and monitoring the annual budget and any extraordinary expenditure
- approving and monitoring State Super's risk management, compliance and control systems and policies
- approving and monitoring policies and procedures for the management of the Fund, including:
  - business plans, policies and processes for the proper direction, control and performance measurement of the Fund
  - standards to assess the performance of State Super's service providers
- setting the objectives, strategies and risk approval for investments, approving major investment decisions and monitoring and assessing investment performance
- approving and monitoring State Super's governance procedures for the Trustee Board and the staff of State Super, including work, health and safety, and the Code of Conduct and Ethics
- monitoring the performance of the Pooled Fund, the Trustee Board, State Super management and State Super's service providers.

## Trustee Board member profiles

### Nicholas Johnson – Chairperson

**Appointed June 2015**

Mr Johnson has extensive experience in financial services management in Australia and overseas. He retired from Barclays Capital in 2012 after serving as Chief Executive Officer for Australia from 1998 to 2009 and as Managing Director, Senior Relationship Management. He had previously held senior positions with the Commonwealth Bank, Morgan Stanley, and Credit Suisse. His financial sector experience includes roles as Head of Operations and of IT systems development in major investment banks as well as extensive involvement with investing in infrastructure and energy sectors.

He is currently Chairman of the Sydney Institute and a Member of the NSW Generations Fund Advisory Board. His previous appointments include Chairman of Pillar Administration (a provider of administrative services to the superannuation industry, including to State Super) and Chairman of the National Art School, and an Advisory Board Member of the North-West Rail Link project.

Mr Johnson holds a Master of Arts from Oxford University and is a member of the Australian Institute of Company Directors.

### Carol Austin – Employer Representative

**Company Director**

**Appointed June 2018**

Ms Austin has over thirty years' experience in the finance industry. She is currently a Non-Executive Director of HSBC Bank Australia Ltd and the Grattan Institute, Chairman of the ACT Investment Advisory Board and a member of the Investment, Audit and Risk Committee of the General Sir John Monash Foundation. Ms Austin is also a Commissioner with the NSW Independent Planning Commission.

Ms Austin's past directorships include the Future Fund and the Tasmanian Public Finance Corporation. She has also served on the advisory boards of the Australian Office of Financial Management and the Melbourne Institute of Applied Economic and Social Research.

Ms Austin's executive career included economic research/senior management roles with the Reserve Bank of Australia, BHP and Contango Asset Management.

Ms Austin holds a Bachelor of Science from Monash University and a Bachelor of Economics (Hons) from ANU. She is a Fellow of the Australian Institute of Company Directors.

### Catherine Bolger – Employee Representative

**Professionals Australia**

**Appointed September 2015**

Ms Bolger has extensive experience as a professional trustee director, having served on a range of industry fund and related boards for the last 15 years. She is currently a Director of Professionals Australia and the President of the Australian Institute of Superannuation Trustees and a trustee of UnionsNSW.

Ms Bolger is also non-executive Director of Powercoal Employees' Entitlements Fund and was a member of the Insurance in Superannuation Industry Working Group, responsible for developing the Insurance in Superannuation Voluntary Code of Practice.

Ms Bolger holds a Bachelor of Economics and a Master of Labour Law and Relations from the University of Sydney, an RG146 Qualification and Super Springboard Level 1 from the Australian Institute of Superannuation Trustees. She is also a Graduate Member of the Australian Institute of Company Directors.

### Alex Claassens – Employee Representative

**NSW Rail, Tram and Bus Union**

**Appointed November 2012; reappointed November 2016**

Mr Claassens is currently State Secretary and National Executive Member of the NSW Rail, Tram and Bus Union, Director of Endeavour Mutual Bank and is a member of its Risk Committee. Other current positions are Director of Transport Heritage NSW, Alternative Board Member of the Sydney Alliance for Community Building and a member of the NSW Rail Regulator-NSW Branch Operations Forum. He has a passion for the transport industry, having begun his career driving trains on the NSW rail network.

He is an experienced board member having held numerous positions including Director of Encompass Credit Union before it merged with Select and subsequently reappointed to the merged organisation, Select Encompass Credit Union and as a member of its Risk Committee until February 2018. Mr Claassens has also been part of the Sydney

Alliance Community Building Board since 2013. He was an employee representative Board Member of State Super Financial Services and was also involved in their transition to becoming StatePlus.

He is a member of the Australian Institute of Company Directors, Australian Institute Superannuation Trustees and the Association of Superannuation Funds of Australia

Mr Claassens still drives passenger trains and heritage steam locomotives on a regular basis.

### **Swati Dave – Employer Representative**

**Company Director**

**Appointed May 2016**

Ms Dave is the Managing Director and CEO of Export Finance and Insurance Corporation.

She is an experienced senior banking executive and non-executive director with an established track record of successfully leading and growing complex P&L businesses in Australia, the UK, Hong Kong and Singapore.

Ms Dave has over 30 years' banking and finance experience across a number of sectors including infrastructure, energy and utilities, renewable energy and property. She has held senior positions at National Australia Bank, Deutsche Bank, AMP Henderson Global Investors, Bankers Trust and Westpac.

Ms Dave currently serves on the board of Asia Society Australia. She has served as a former director of Australian Hearing, Great Western Bancorp Inc. (USA) and the NAB Wealth Responsible Entities Boards.

Ms Dave holds a Bachelor of Commerce from the University of Newcastle and is a Graduate Member of the Australian Institute of Company Directors and the Australian Institute of Superannuation Trustees.

### **Claire Keating – Employer Representative**

**Company Director**

**Appointed November 2016**

Ms Keating is an experienced non-executive director and independent consultant with over 25 years' experience in superannuation and funds management.

She was formerly a registered company auditor and partner of PricewaterhouseCoopers (2002-2016) and her roles at PwC included leader of the Melbourne Financial Services Assurance practice and National leader of the Investment Management Assurance practice. She is also a former director of the PwC Superannuation Fund.

Ms Keating is a director of Yooralla (Disability), CARE Super, the NAB Wealth Responsible Entity Boards comprising MLC Investments Ltd, Navigator Australia Ltd, Antares Capital Partners Ltd and National Asset Management Ltd and is a Board Member of the Judicial Commission of Victoria.

She holds a Bachelor of Business (Accountancy) from RMIT, a Diploma in Superannuation Management from ASFA and Macquarie University, is a Chartered Accountant and a Graduate Member of the Australian Institute of Company Directors.

### **George Maniatis – Employee Representative**

**NSW Fire Brigade Employees' Union**

**Appointed September 2015**

Mr Maniatis is currently Senior Industrial Officer for the Fire Brigade Employees' Union (FBEU) of New South Wales, where he has worked since 2000. He has over 25 years' experience in the union movement, mainly as an Industrial Officer and advocate appearing before State and Federal industrial tribunals and courts.

He was involved in the creation and establishment of NSW Fire Brigades Superannuation Pty Limited, the corporate trustee of the NSW Fire, Death and Disability Super Fund, including drafting the trust deed on behalf of the FBEU, and was the union-nominated Director of the Trustee from 2005 to 2007.

Mr Maniatis holds a Bachelor of Economics and Master of Labour Law and Relations degree from the University of Sydney, and a Bachelor of Laws degree from the University of Technology, Sydney. He was admitted as a legal practitioner of the Supreme Court of New South Wales in 2003.

**Tony O'Grady – Employee Representative**  
**NSW Nurses and Midwives' Association**  
**Appointed June 2013; reappointed September 2017**

Mr O'Grady was the Manager, Projects and Compliance, for the New South Wales Nurses and Midwives' Association from 2006 to August 2018. He began his registered nurse training in 1982 and was employed as a nurse until joining the NSW Nurses and Midwives' Association in November 1987. He has also worked as an organiser, industrial officer, team manager and projects manager for the Association.

Mr O'Grady served as a Director for Private Hospitals Superannuation Pty Limited – the Trustee for the Health Industry Plan – between 2005 and 2010. He was also a Director of StatePlus (formerly State Super Financial Services) between May and November 2015. Mr O'Grady holds a Graduate Diploma in Employment Relations from the University of Technology, Sydney and a Certificate in Nursing, which he completed at Royal North Shore Hospital.

**Roslyn Ramwell – Employer Representative**  
**Company Director**  
**Appointed June 2015**

Ms Ramwell was the CEO of the Harwood Superannuation Fund, a large corporate fund for 12 years. She has more than 20 years' experience in superannuation in both Government and private sectors, and has also worked for QSuper and the Insurance and Superannuation Commission (now APRA).

Ms Ramwell is a Director of StatePlus and TAL Superannuation Limited and chairs its Audit Compliance and Risk Management Committee as well as its Remuneration Committee. She is a Life Member of the Association of Superannuation Funds of Australia Limited, having served as a director for 12 years and chaired its Finance & Risk Committee for six years.

Ms Ramwell has a Bachelor of Business (Accounting), is a CPA, a Chartered Secretary, an ASFA Accredited Investment Fiduciary and a Trustee Fellow. She has a Diploma of Superannuation, a Graduate Diploma in Applied Corporate Governance, and is a Graduate of the Australian Institute of Company Directors.

**Former Trustee Board members**

**Karen Moses – Employer Representative**  
**Company Director**  
**Appointed March 2012; reappointed March 2016; term ended 26 March 2018**

Ms Moses is a Non-Executive Director of Boral Limited (since March 2016), Sydney Symphony Limited, Sydney Symphony Holdings Pty Limited (since December 2015), Sydney Dance Company (since May 2012), Charter Hall Limited, Charter Hall Funds Management Limited (2016) and Orica Limited (2016).

Ms Moses has over 30 years' experience in the energy industry spanning oil, gas, electricity and coal commodities, upstream production, supply and downstream marketing operations in Australia and overseas. She is a former Director of Origin Energy Limited (2009–15) and a number of its subsidiaries (2016), Australia Pacific LNG Pty Limited (2005–16), Contact Energy Limited (2004–15), Australian Energy Market Operator Limited (2008–12), Energy and Water Ombudsman (Victoria) Limited (2005–10), VENCORP (2004–09) and Energia Andina S.A. incorporated in Chile (2013–14).

Ms Moses holds a Bachelor of Economics and a Diploma of Education from the University of Sydney.

## Trustee Board membership and meeting attendance

The Trustee Board consists of a Chairperson, four employer representatives and four employee representatives nominated by Unions NSW. All Trustee Board members are appointed by the Minister on a part-time basis.

Trustee Board memberships and the current term of appointment for each member during the 2017–18 reporting period are listed in the table below.

|                                 | Appointed    | Term end date | Meetings attended during 2017–18<br>(actual / possible) |
|---------------------------------|--------------|---------------|---|
| Mr N Johnson (Chairperson)      | 26 Jun 2015  | 25 June 2019  | 6 / 7   |
| <b>Employee representatives</b> |              |               |   |
| Mr A Claassens                  | 5 Nov 2012   | 4 Nov 2020    | 7 / 7   |
| Mr T O'Grady*                   | 14 Sep 2017  | 13 Sep 2021   | 4 / 6   |
| Ms C Bolger                     | 25 Sep 2015  | 24 Sep 2019   | 5 / 7   |
| Mr G Maniatis                   | 25 Sep 2015  | 24 Sep 2019   | 7 / 7   |
| <b>Employer representatives</b> |              |               |   |
| Ms K Moses**                    | 31 Mar 2016  | 26 Mar 2018   | 5 / 5   |
| Ms Carol Austin***              | 28 June 2018 | 27 June 2022  | -/-   |
| Ms R Ramwell                    | 26 Jun 2015  | 25 Jun 2019   | 6 / 7   |
| Ms S Dave                       | 26 May 2016  | 25 May 2019   | 6 / 7   |
| Ms C Keating                    | 10 Nov 2016  | 9 Nov 2019    | 6 / 7   |

The full-time Employee Representative position was vacant at 30 June 2014 and has been filled by a part-time board position.

\*During the year:

- Mr O'Grady was re-appointed from 14 September 2017 as Employee Representative

\*\*During the year:

- Ms Moses resigned from the Board as an Employer Representative effective from 26 March 2018

\*\*\*During the year:

- Ms Austin was appointed as an Employer Representative effective from 28 June 2018

## Trustee Board and other committees

### Investment Committee members during the reporting period

Ms Ramwell, Ms Dave, Ms Moses and Mr Johnson (Chairperson). Mr Gerard Parlevliet was appointed as specialist expert to the Investment Committee on 26 April 2018. Mr Parlevliet is an expert in investments, particularly within the management of negative cashflow defined benefit superannuation funds. Members of the executive and other invited visitors attend committee meetings.

#### Purpose

The responsibilities of the Investment Committee include:

- supporting the Trustee Board in determining and effecting the investment objectives and strategy
- monitoring the appointment or termination of investment managers for Pooled Fund investments, reviewing their performance and monitoring asset allocation
- receiving other information as may be required to improve the investment management decisions of State Super
- monitoring the asset and risk profile of the investment options so that they align with the investment strategy.

#### Meetings attended during 2017–18

| Member                     | Attendance<br>actual / possible |
|----------------------------|---------------------------------|
| Mr N Johnson (Chairperson) | 4 / 4                           |
| Ms K Moses*                | 3 / 3                           |
| Ms R Ramwell               | 4 / 4                           |
| Ms S Dave                  | 3 / 4                           |
| Mr Parlevliet              | 1 / 1                           |

\*Ms Moses was appointed to the Committee from 27 June 2017 to 26 March 2018.

### Risk, Audit and Compliance Committee members during the reporting period

Ms Keating (Chairperson), Ms Bolger and Mr O'Grady. Members of the executive, the Audit Office of New South Wales, the internal auditor and other invited visitors also attended committee meetings.

#### Purpose

The purpose of the Risk, Audit and Compliance Committee is to provide independent assistance and advice to the Trustee Board on State Super's:

- risk management, internal and external controls framework and compliance framework
- internal and external audit, actuarial matters
- financial reporting and accountability.

#### Meetings attended during 2017–18

| Member                     | Attendance<br>actual / possible |
|----------------------------|---------------------------------|
| Ms C Keating (Chairperson) | 6 / 6                           |
| Mr T O'Grady               | 4 / 4                           |
| Ms C Bolger                | 6 / 6                           |



### Member Services Committee members during the reporting period

Messrs Claassens (Chairperson), Maniatis and O'Grady and Ms Dave. Members of the executive, Mercer staff and other invited visitors also attended committee meetings.

#### Purpose

The responsibilities of the Member Services Committee include:

- making recommendations to the Trustee Board on matters relating to the administration of State Super schemes and policies affecting stakeholders including dispute-related matters
- exercising a Trustee Board delegation to determine disputes involving State Super schemes
- Monitor member communications and research to assess member satisfaction with the services provided to them and how well the services meet member needs.

### Meetings attended during 2017–18

| Member                       | Attendance<br>actual / possible |
|------------------------------|---------------------------------|
| Mr A Claassens (Chairperson) | 4 / 4                           |
| Mr T O'Grady                 | 3 / 3                           |
| Mr G Maniatis                | 4 / 4                           |
| Ms S Dave                    | 2 / 4                           |

### Statutory Committee – Police Superannuation Advisory Committee

The committee is a statutory committee established under Part 2H of the Police Regulation (Superannuation) Act 1906 to exercise certain powers delegated by the Trustee Board.

#### Members during the reporting period

This committee consists of a Chairperson appointed by the Minister, three nominees of the Police Association of New South Wales, and one nominee each from the Commissioned Officers' Branch of the Public Service Association of New South Wales, State Insurance Regulatory Authority, the Minister for Police, and State Super. The State Super nominee is a member of the State Super Executive.

#### Purpose

The purpose of the Police Superannuation Advisory Committee is to determine entitlement to medical discharge for members of the NSW Police Force, entitlement to 'Hurt on Duty' pension increases and other benefits under the Police Superannuation Scheme, and to advise State Super on matters relating to administration of the Police Regulation (Superannuation) Act 1906 that are referred to it by the Trustee Board.

### Meetings attended during 2017-18

| Member                      | Attendance<br>actual / possible |
|-----------------------------|---------------------------------|
| Ms R Ramwell (Chairperson)* | 9 / 11                          |

\*A Chair was appointed from members for 2 meetings

### Human Resources and Nominations Committee members during the reporting period

Ms Moses, Ms Bolger and Messrs Claassens (Chairperson), Maniatis and Johnson. Members of the executive and invited visitors also attended committee meetings.

#### Purpose

The responsibilities of the Human Resources and Nominations Committee include supporting the Trustee Board on its human resource responsibilities including the management of human resource governance frameworks, determine remuneration structure and levels of staff, determine any performance criteria for the Executive and the CEO, to monitor human resource obligations under relevant policies, including the Code of Conduct and Ethics.

### Meetings attended during 2017–18

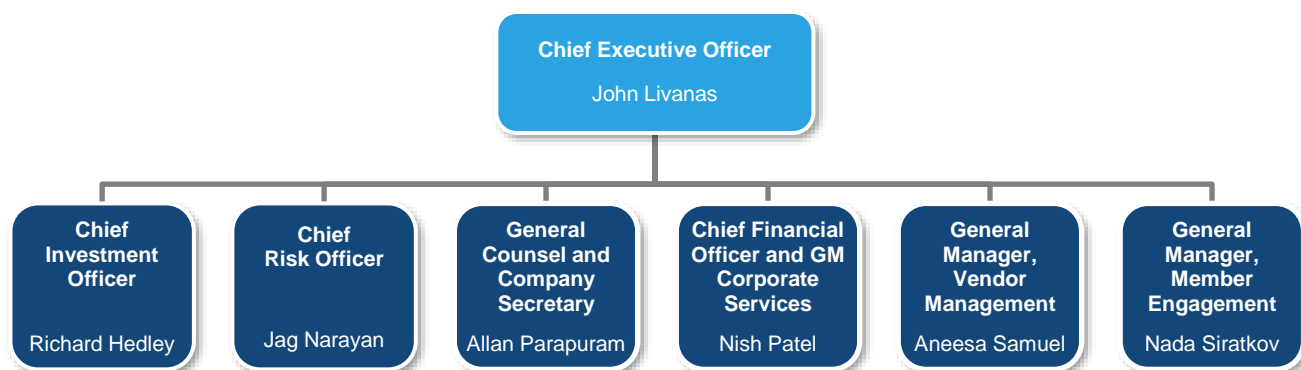
| Member                       | Attendance<br>actual / possible |
|------------------------------|---------------------------------|
| Mr A Claassens (Chairperson) | 1 / 1                           |
| Ms K Moses                   | 1 / 1                           |
| Ms C Bolger                  | 1 / 1                           |
| Mr G Maniatis                | 1 / 1                           |
| Mr N Johnson                 | 1 / 1                           |



## State Super Executive team

The State Super Executive team comprises the Chief Executive Officer and six senior executives and is responsible for implementing State Super's corporate strategies and managing the organisation's day-to-day operational activities. Senior managers work to support the organisation to achieve its business objectives.

The State Super Executive at 30 June 2018 was as follows:



## Executive team profiles

### John Livanas

#### Chief Executive Officer

Mr Livanas leads a team of experienced senior executives managing the provision of member services and the investment of approximately \$43 billion of assets in State Super.

Mr Livanas has over 25 years' industry experience, having worked in organisations including Deloitte South Africa, the South African Government Employees Pension Fund – the precursor to the country's sovereign fund – and several Australian superannuation funds.

Prior to his appointment in October 2011, Mr Livanas was the Chief Executive Officer of AMIST Super (2008–11) and the General Manager of FuturePlus Financial Services (2002–08). He was a Director of ISPT and ISPT Grosvenor International Property Trust from 2010–12 and in August 2013 was appointed to the Board of the Australian Council of Superannuation Investors.

Mr Livanas holds a Bachelor of Science in Engineering and an MBA from the University of Witwatersrand and a Graduate Diploma of Finance and Investments from the Financial Services Institute of Australia. He is an ASFA-accredited Investment Fiduciary and a Graduate of the Australian Institute of Company Directors.

### Richard Hedley

#### Chief Investment Officer

Mr Hedley is responsible for the design and oversight of all State Super's investment strategies, including advising the Board on investment objectives, investment policies and strategic asset allocation to deliver superior risk-adjusted performance returns.

Mr Hedley also has direction of all investment activities for member investment strategies, including setting, implementing and monitoring the strategic and dynamic asset allocations for each of those investment strategies, the appointment and oversight of external investment managers and advisors and leadership of State Super's internal investment and actuarial team.

Mr Hedley has over 20 years' experience in investment management, including 13 years with Deutsche Asset Management, specialising in Infrastructure and Private Equity investments. Mr Hedley holds a Master of Applied Finance from Macquarie University, and a Bachelor of Laws with Honours and Bachelor of Commerce from the University of Otago. He has been admitted as a Barrister and Solicitor of the High Court of New Zealand and is a Fellow of the Australian Institute of Company Directors.

## **Jag Narayan**

### **Chief Risk Officer**

Mr Narayan is responsible for developing and implementing the organisation's risk, compliance and internal audit strategy. The role encompasses embedding a risk culture within State Super, setting and monitoring strategic and operational risk goals and reporting to the Trustee Risk Audit and Compliance Committee and the Trustee Board.

Mr Narayan has over 19 years' experience in risk management, with more than 14 years in financial services organisations. His previous employers include the Territory Insurance Office (TIO), Insurance Australia Group (IAG), Caltex Australia and Westpac Banking Corporation. Prior to his appointment in October 2015, Mr Narayan led the Audit, Risk and Compliance function and reported to the CEO and the Audit and Risk Committee/Board of the Territory Insurance Office in Darwin.

Mr Narayan is a qualified Chartered Accountant and Certified Internal Auditor. He holds a Bachelor of Commerce (Accounting) from the University of Western Sydney.

## **Allan Parapuram**

### **General Counsel and Company Secretary**

Mr Parapuram provides State Super with legal and governance counsel, overseeing the legal and governance framework and secretarial matters of the Board.

Mr Parapuram is a member of the Police Superannuation Advisory Committee which determines entitlement to medical discharge for members of the NSW Police Force under the Police Superannuation Scheme, and a member of the State Super StatePlus Steering Group, the central reference point for the oversight and management of the StatePlus relationship.

Mr Parapuram has held senior legal roles at State Super for the last six and a half years and was previously Head of Legal, Risk and Compliance at Qantas Superannuation. He has more than twenty years' experience in superannuation and financial services law, trustee and investment governance, audit and compliance and risk management in financial services generally. Mr Parapuram holds a current legal practising certificate, a Master of Laws, a Bachelor of Laws, and a Bachelor of Economics.

## **Nish Patel**

### **Chief Financial Officer and GM Corporate Services**

Mr Patel is the Chief Financial Officer and General Manager Corporate Services, responsible for directing and managing the financial and investment operational activities of the organisation and ensuring the implementation of overall organisational strategy.

Mr Patel has over 25 years' Senior Executive experience in funds management, investment banking and financial services. Prior to joining the organisation, he was AMP Capital's Chief Financial Officer and later Chief Operating Officer, Asia. He has held senior finance, strategy and M&A roles with leading ASX 100 companies. He commenced his career with Arthur Andersen in London and has worked extensively in Europe and Asia.

Mr Patel is a qualified Chartered Accountant and holds a Bachelor of Science (Honours) degree in Economics.

## **Aneesa Samuel**

### **General Manager, Vendor Management**

Ms Samuel is responsible for providing leadership, direction and oversight for the delivery of consistently high-quality services by outsourced providers. This includes developing and effectively negotiating service delivery models that maximise the value to State Super and minimise financial and reputational risks. She has a focus on strategic and operational planning, governance and evaluation of service delivery performance to support the achievement of State Super's objectives.

Prior to joining State Super, Ms Samuel held executive positions in the superannuation and insurance industry and has a comprehensive understanding of the Australian superannuation environment, its operating practices and products. Ms Samuel holds a degree in education and is a qualified financial planner.

## **Nada Siratkov**

### **General Manager, Member Engagement**

Ms Siratkov is responsible for the development and delivery of all member services and engagement strategies. This includes setting the direction of Member Engagement and ensuring that there is an integrated approach to managing the member experience. Ms Siratkov is also responsible for member product development, legislation and its interpretation and policy, marketing and communications, stakeholder engagement, disputes and the management of State Super's profile and brand.

Ms Siratkov is responsible for the Member Services Committee, is a member of the State Super StatePlus Steering Group and is on State Super's WHS Committee.

Prior to joining State Super, Ms Siratkov held executive positions in the financial services industry including Westpac, Zurich and Aon and has an extensive understanding of the superannuation, insurance and banking environments.

Ms Siratkov holds a Bachelor of Arts from the University of Sydney and a Master of Business majoring in Marketing from the University of Technology and is a Graduate of the Australian Institute of Company Directors.

## Part B

# Corporate performance

State Super's performance against Corporate Plan objectives

25

# State Super's performance against its Corporate Plan objectives

State Super has set five key strategies for 2017-18 to 2020-21. These strategies cover the two fundamental aspects of State Super's business – investment strategy and member experience – supported by three crucial enablers – governance, stakeholder relationships and people. These strategies are basically unchanged from the previous financial year (2016-17). STC has made minor refinements to the specific strategies that sit underneath each of the five strategies.

## State Super's 2017–18 Corporate Plan identified five key objectives for the financial year

1. **Investment.** Meet our risk/return objectives.
2. **Member.** Deliver relevant and reliable member experiences.
3. **Governance.** Maintain an effective governance framework.
4. **Stakeholders.** Maintain positive relationships with stakeholders.
5. **People.** Strengthen State Super operating model and workforce.

## Overview

### Challenges faced during the year include:

1. To maintain the high level of engagement with staff, and to ensure that the capabilities required within the organisation are retained
2. Ensuring compliance with the requirements of the ATO, HOGA and APRA, and maintaining a high degree of awareness of the discussions of the Royal Commission
3. To appropriately provide oversight and support of TCorp
4. Appointment of new Actuary and Internal Audit capabilities
5. Providing appropriate governance oversight of Mercer Administration Services, including the proposed systems transition program

### 1. Investment: Meet risk/reward objectives

Over the 2017-18 financial year, State Super has continued to work closely with TCorp and our scheme actuary, PwC, to better align the investment strategy for our defined benefit assets with our actuarial projections of future member liabilities. This alignment will become increasingly important as we move closer to the target date of 30 June 2030 set down in the Fiscal Responsibility Act 2012 to achieve full funding of State Super's defined benefit liabilities.

As noted in the 2018-19 Budget Papers (section 7.4), the Government remains committed to fully funding its superannuation liabilities by June 2030, consistent with the Fiscal Responsibility Act 2012. The Government's long-term funding program for State Super, which involves contributions of \$1.6 billion in the 2018-19 financial year increasing at a rate of five per cent per annum until 2030, is a key factor in determining both the investment strategy and actuarial projections.

The Scheme Actuary, PwC, has completed its triennial actuarial review for 30 June 2018 which assessed the current funding plan and investment strategy against the 2030 funding target, considering demographic changes and economic drivers, such as inflation and investment returns. The triennial confirmed an improvement in the overall funding position.

Each of the diversified Member Investment Choice Strategies exceeded their performance benchmark over one, three, five and seven year periods to 30 June 2018, and ranked in the first or second quartile of returns for funds with comparable investment strategies over the same period. During the year, the default investment strategy for Deferred Members aged 60 years and over was changed from the Growth Strategy to the Balanced Strategy to better reflect the appropriate risk/return profile for those members.

Risk and asset allocation settings for the Fund are reviewed regularly. The asset allocation for each investment strategy is well diversified across asset classes, risk premiums, investment managers and individual securities. The aim is to generate returns with substantially reduced volatility. Risk management plays a crucial role in this process.

## 2. Member: Deliver relevant and reliable member experiences

State Super has continued to deliver positive member experiences over the reporting period. Our annual research shows overall member satisfaction rated at 8.0, a consistently high score for the third year running. For comparison, the national average satisfaction score for other superannuation funds is 7.7. Satisfaction scores for the various member services also rated highly, with our seminars rated at 8.4 – substantially more than the national average of 7.0.

There have been a number of joint marketing campaigns with StatePlus that are more targeted to help members improve their understanding of the Scheme and their entitlements. A series of emails “Get SASS Smart” encouraged members to think more about planning for their retirement. Our Super Health Check program, offering one-to-one education appointments in regional areas has resulted in over 200 appointments in Tamworth, Wagga Wagga, Port Macquarie and Orange.

We participated in a number of Member Annual Conferences – NSW Nurses and Midwives Association, NSW Secondary Deputy Principals, NSW Primary Principals, and NSW Teachers Federation, where we could address member enquiries.

Work continues on the State Super website to enhance content, improve navigation and readability and build better educational resources for members. The introduction of online capability for members to receive information and register for seminars has been very successful.

The default strategy project was successfully executed for State Super’s 10,000 SASS members who have deferred benefits. These members have left the public sector and can no longer contribute to SASS and can only take their benefit in accordance with the Scheme legislation. The benefits of the deferred member group have been crystallised and are subject to market volatility. To help manage the risk for older members who have a shorter time to recover from market loss, the Trustee amended the current default option strategy from Growth to Balanced for members who are 60 years of age. In the initial implementation, over 1000 members were moved to the Balanced Strategy. The launch campaign included a combination of member communication as well as an offer of advice through our financial planning service provider before being moved to the Balanced option.

The enhanced member disputes process has been implemented and will continue to be reviewed to ensure timely responsiveness to member claims.

## 3. Governance: Maintain an effective governance framework

The Board is served by highly skilled people that meet the requirements of the organisation as reflected by the skills matrix and internal Board Assessments.

A formal governance and delegations framework enables appropriate oversight and monitoring of the organisation.

State Super complies with the HOGA requirements, conforming to the prescribed Commonwealth Retirement Income principles to the best of our endeavours. These include the principles of Trustee Governance, Audit and Risk Management and reporting to the ATO and APRA as required.

The Funds are audited annually by the Auditor General and the outcomes of the annual audit are contained in the Annual Accounts that are part of this Annual Report.

Staff capabilities are regularly assessed against the skills required in the organisation with appropriate training and development programs implemented.

State Super continues to focus on monitoring its outsourced arrangements with its mandated investment manager NSW Treasury Corporation, its Scheme administrator, Mercer Administration Services and its custodian, JP Morgan.

## 4. Stakeholders: Maintain positive relationships with stakeholders

Maintaining and engaging with stakeholders is important to the success of State Super delivering on its purpose for members. Over the last year, a stakeholder engagement framework and process was established to provide management a consistent approach for engagement.

A robust engagement plan was created to further strengthen key relationships, including with State Super members, Treasury, regulators and industry groups.

Our participation and engagement with ACSI has continued throughout the year, including support at the board level and engagement through conference participation. State Super has newly joined the policy group of AIST, gaining and contributing to important superannuation industry policy.

The first of a series of member research programs was launched to better understand issues facing members and provide an opportunity to improve member engagement and dialogue.

## 5. People: Strengthen State Super operating model and workforce

To support delivery of the corporate plan, State Super's people strategy for 2017/18 has been focused on three key areas:

1) Improving workforce sustainability: Following the restructure in 2016/17, the key focus has been on bedding down the new organisational structure, stabilising the workforce and providing opportunities for staff to develop and progress their careers. Amongst the people initiatives included; the 'Bright Eyes Program', focused on developing leadership skills for up and coming managers.

2) Building capability and knowledge retention to enable high performance: State Super successfully embedded performance development for leaders and their teams. The 2018 People Matter Survey attest to the success of State Super's focus on this area with 95% of State Super staff stating that they understand what is expected of them to do well in their role, 80% say they received useful feedback in the last 12 months to enable them to deliver required results and 73% received appropriate training and development to do their job well.

3) Developing a workplace culture that promotes employee wellbeing and engagement. The organisation's success in this area is highlighted in the 2018 People Matter Survey which shows State Super's employee engagement rating at 77%, Diversity and Inclusion at 87% and perception of high performance at 85%.

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## Part C

# Operations overview

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## Investments

This section provides an overview of State Super's investment management structure and its performance and management activities during 2017–18.

### Investment management structure

On 15 June 2015, pursuant to a Master Financial Services Agreement (MFSA) TCorp became the Master Investment Manager for the Trustee Selection Strategy, which primarily invests employer funded (defined benefit) assets. The MFSA was updated to comply with the Ministerial Orders and executed in October 2016.

State Super retains responsibility for oversight of all State Super investment strategies, including setting investment objectives, investment policies and strategic asset allocation. TCorp is responsible to State Super for implementing the investment strategy for the Trustee Selection Strategy, including dynamic asset allocation, portfolio construction, investment risk management and investment manager selection. State Super continues to be responsible for the governance and investment management of the four Member Investment Choice strategies (Growth, Balanced, Conservative and Cash) in which the SASS defined contribution assets are primarily invested and the two University investment strategies (University Diversified Conservative and University Cash) in which the Universities' Employer reserves are invested.

### Investment market overview

#### Australian growth mixed

Activity data indicates an improving non-mining business investment outlook, strong public infrastructure spending and continued growth in net exports. However, there are still risks to the outlook around consumers. Consumer confidence is average, wages growth is soft and house price momentum looks to have peaked which impacts household wealth. The recent decline in the Australian dollar is positive for exporters, but some further depreciation in the currency would be positive. An improving growth environment will drive wages and prices higher, but this will take time.

#### Global economic backdrop continued to improve steadily

Global growth is projected to be around 3.9% in 2018, from 3.8% in 2017. The US economy should see above potential growth. Europe is seeing stronger growth with a solid improvement in economic confidence readings. Chinese growth is likely to be stable around 6.5%, albeit slowing from 6.8%. Deflation fears have receded because of stronger growth and core inflation will slowly rise as global spare capacity declines. The US Federal Reserve is now reducing its balance sheet assets and four rate hikes are likely in 2018. The ECB will phase down its quantitative easing program from September, but rate hikes are still some time away. The BoJ is still actively running its monetary policy asset purchase program and yield targeting measures which will continue until inflation is stronger. Political risks remain with key concerns around US President Trump adopting more populist policies ahead of the US mid-term elections, including the potential for more protectionist measures particularly against China.

#### A positive year for financial markets

The Australian Equities market finished the year with a strong positive return of 13.2%. Earnings growth has powered these gains, as the Royal Commission and a challenging environment has seen the banks de-rate, keeping the market's aggregate valuation rating steady. The local market's return was broadly in-line with overseas markets. In the US, equities gained 12.2%, while the Japanese equity market was up 11.3%. European equity market returns were muted, with the UK up 4.4% over 12 months, and Germany down -0.2%.

Beneath the positive headline figure, volatilities emerged over the final quarter; albeit in a somewhat contained manner. May saw the formation of a populist coalition government in Italy between the Lega Nord and the Five Star parties which prompted a bout of market volatility towards month end. Italian bond yields spiked, as did speculation over the potential for a parallel currency, presidential impeachment and a potential showdown between Italy and Germany over debt and fiscal discipline. However, for all the concerns and uncertainty the episode proved short-lived, with most assets reverting towards their commencement value over the period. In June, investor's attention was diverted to growing concerns of a trade war between the U.S. and China. Any further escalation in trade tensions could see global equity markets further unsettle. Nevertheless, market valuations remain supportive in Australia, largely attributable to a weak currency against the US dollar, as well as patience displayed by the Reserve Bank of Australia (RBA) in continuing to hold interest rates at historic lows.

## Investment performance

### 2017–18 performance

The 2017–18 annual crediting rates for the various investment options were as follows:

| Strategy                            | Crediting rate p.a.<br>% |
|-------------------------------------|--------------------------|
| <b>Defined Benefit</b>              |                          |
| Trustee Selection                   | 8.2                      |
| University Diversified Conservative | 3.3                      |
| University Cash                     | 1.6                      |
| <b>Member Investment Choice</b>     |                          |
| Growth                              | 9.4                      |
| Balanced                            | 6.9                      |
| Conservative                        | 5.0                      |
| Cash                                | 1.7                      |

Both Australian and international equities continued to perform strongly in 2018. Infrastructure, property and other unlisted assets also performed well and made strong contributions to total returns for the year. Defensive assets like Australian and international bonds also contributed to the performance modestly.

State Super undertakes an active investment tilting process through-out the year in order to crystallise returns given the negative cash flow position of each of the strategies. This process particularly benefited the Growth Strategy during the year.

Over the twelve-month reporting period, we have converted currency into passively managed. The focus of the currency program is risk mitigation; in-particular providing diversification benefits to the portfolio and management of liquidity risk. During the year, the program detracted from overall performance as the Australian dollar traded within a relatively narrow range.

## Long-term performance

Meeting long-term goals requires investments to be actively managed to minimise the impact of losses in turbulent market conditions. Given the nature of the Fund cash flow, State Super (either directly or via TCorp for Trustee Selection) will reallocate assets as it deems necessary to increase the probability of all investment strategies achieving their respective investment objectives.

Crediting rates for the period ended 30 June 2018 against investment objectives for each of the State Super strategies are provided in the table below.

| Strategy                            | Objective<br>(at 30 June 2018) | Period   | Average annual<br>compound crediting<br>rate p.a.<br>% | Objective p.a.<br>% |
|-------------------------------------|--------------------------------|----------|--|---------------------|
| <b>Defined Benefit</b>              |                                |          |  |                     |
| Trustee Selection                   | CPI + 4.0%                     | 10 years | 6.7  | 6.6                 |
| University Diversified Conservative | CPI + 0.5%                     | 4 years  | 3.2*   | 2.9*                |
| University Cash                     | Cash                           | 3 years  | 1.7  | 1.7                 |
| <b>Member Investment Choice</b>     |                                |          |  |                     |
| Growth                              | CPI + 3.5%                     | 7 years  | 6.9  | 6.2                 |
| Balanced                            | CPI + 2.25%                    | 7 years  | 7.8  | 4.8                 |
| Conservative                        | CPI + 1.0%                     | 4 years  | 5.2  | 3.8                 |
| Cash                                | Cash                           | 3 years  | 1.9  | 1.7                 |

\*University Diversified Conservative return is over a 3-year period.

The Trustee Selection and all diversified investment option strategies have delivered returns above their long-term performance objectives

State Super implements its investment strategies through investment managers, with TCorp undertaking all manager selection activities for Trustee Selection. Over the course of the financial year investment managers' performances in each of the investment strategies were reviewed and adjustments made to ensure the risk return characteristics of each investment strategy were in line with investment objectives. State Super continues to maintain prudent liquidity requirements to fund its liabilities and a focus on liquidity management remains a priority for the investment team.

Risk and asset allocation settings for the Fund are reviewed regularly. The asset allocation for each investment strategy is well diversified across asset classes, risk premiums, investment managers and individual securities. The aim is to generate returns with substantially reduced volatility. Risk management plays a crucial role in this process.

State Super's approach to navigating investment market conditions has been to take profit at regular intervals when equity and bond markets have performed well and invest back into such markets at regular intervals when they are falling.

## Crediting rates for defined benefit reserves

The crediting rates provided in the following tables for defined benefit reserves are prior to adjustments for the varying rates of exempt current pension income (ECPI) tax. As a result of the ECPI tax adjustment, each of the defined benefit reserves (including those relating to Crown and other Government enterprises with pension members) is credited with an additional amount over and above that credited and shown below.

In September 2014, University assets were segregated from the defined benefit and defined contribution assets and the University Conservative Diversified and University Cash Strategies were introduced to facilitate their management.

### Trustee Selection Strategy

| Year ending  | Crediting rate to employer reserves (p.a.)<br>% |
|--|---|
| 30 June 2018   | 8.2   |
| 30 June 2017   | 9.5   |
| 30 June 2016   | 3.6   |
| 30 June 2015   | 11.1  |
| 30 June 2014   | 12.3  |
| <b>Average annual compound crediting rate (p.a.)</b> |   |
| Over 3 years   | 7.1   |
| Over 5 years   | 8.9   |
| Over 10 years  | 6.7   |

### University Diversified Conservative Strategy

| Year ending  | Crediting rate to employer reserves (p.a.)<br>% |
|--|---|
| 30 June 2018   | 3.3   |
| 30 June 2017   | 4.4   |
| 30 June 2016   | 1.9   |
| 30 June 2015   | 4.2   |
| 30 June 2014   | N/A   |
| <b>Average annual compound crediting rate (p.a.)</b> |   |
| Over 3 years   | 3.2   |
| Over 5 years   | N/A   |
| Over 10 years  | N/A   |

| Trustee Selection returns for Crown employers after the benefit of ECPI tax | Crediting rate including ECPI * benefit to employer reserves (p.a.)<br>% |
|---|--|
| 30 June 2018  | 9.3  |
| 30 June 2017  | 10.5   |
| 30 June 2016  | 4.2  |
| 30 June 2015  | 12.5   |
| <b>Average annual compound crediting rate (p.a.)</b>                        |  |
| Over 3 years  | 7.98   |

\*Tax benefit arising from Exempt Current Pension Income

### University Cash Strategy

| Year ending  | Crediting rate to employer reserves (p.a.)<br>% |
|--|---|
| 30 June 2018   | 1.6   |
| 30 June 2017   | 1.6   |
| 30 June 2016   | 2.0   |
| 30 June 2015   | 1.6   |
| 30 June 2014   | N/A   |
| <b>Average annual compound crediting rate (p.a.)</b> |   |
| Over 3 years   | 1.7   |
| Over 5 years   | N/A   |
| Over 10 years  | N/A   |

## Crediting rates for member investment choice strategies

SASS is a hybrid scheme, with the member-financed benefit component being the accumulation of member contributions, while investment earnings and an employer-financed benefit component are defined benefits. On deferral, both the member and employer-financed components are accumulated with investment earnings from the investment strategy or strategies selected by the member.

SASS members have a choice of four investment strategies – Growth, Balanced, Conservative and Cash. The Growth Strategy is the default strategy that applies if a member does not make an investment choice.

The crediting rates for the four investment strategies are shown below. Given as an annual rate and rounded to one decimal point, they are credited to members' accounts at the end of the financial year. Actual crediting rates are declared monthly to four decimal places. The annual rate is the compounded monthly rates.

### Growth Strategy

| Year ending  | Crediting rate to members (p.a.)<br>% |
|--|---------------------------------------|
| 30 June 2018   | 9.4                                   |
| 30 June 2017   | 9.0                                   |
| 30 June 2016   | 5.0                                   |
| 30 June 2015   | 10.2                                  |
| 30 June 2014   | 12.3                                  |
| <b>Average annual compound crediting rate (p.a.)</b> |                                       |
| Over 3 years   | 7.8                                   |
| Over 5 years   | 9.2                                   |
| Over 10 years  | 6.9                                   |

### Conservative Strategy

| Year ending  | Crediting rate to members (p.a.)<br>% |
|--|---------------------------------------|
| 30 June 2018   | 5.0                                   |
| 30 June 2017   | 4.4                                   |
| 30 June 2016   | 4.6                                   |
| 30 June 2015   | 6.9                                   |
| 30 June 2014   | 8.1                                   |
| <b>Average annual compound crediting rate (p.a.)</b> |                                       |
| Over 3 years   | 4.6                                   |
| Over 5 years   | 5.8                                   |
| Over 10 years  | 5.7                                   |

### Balanced Strategy

| Year ending  | Crediting rate to members (p.a.)<br>% |
|--|---------------------------------------|
| 30 June 2018   | 6.9                                   |
| 30 June 2017   | 6.9                                   |
| 30 June 2016   | 5.3                                   |
| 30 June 2015   | 8.9                                   |
| 30 June 2014   | 10.7                                  |
| <b>Average annual compound crediting rate (p.a.)</b> |                                       |
| Over 3 years   | 6.3                                   |
| Over 5 years   | 7.7                                   |
| Over 10 years  | 6.6                                   |

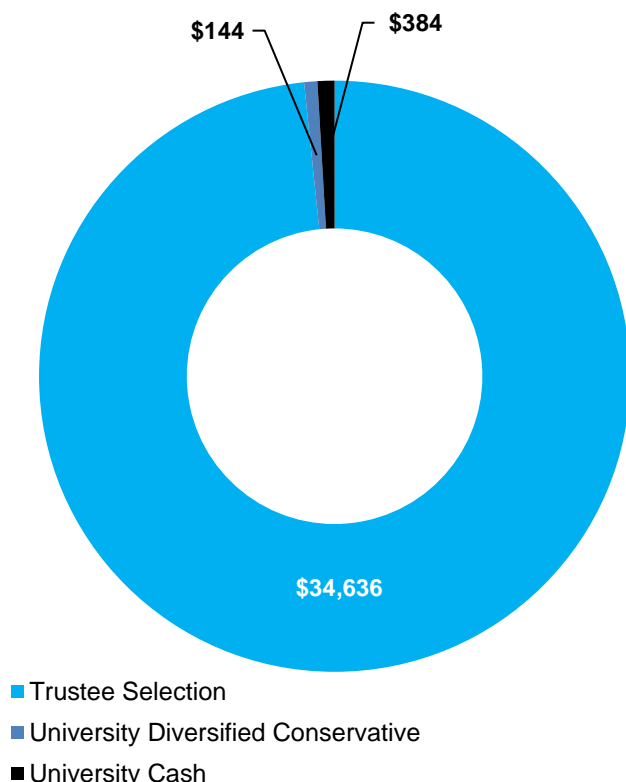
### Cash Strategy

| Year ending  | Crediting rate to members (p.a.)<br>% |
|--|---------------------------------------|
| 30 June 2018   | 1.7                                   |
| 30 June 2017   | 1.9                                   |
| 30 June 2016   | 2.0                                   |
| 30 June 2015   | 2.4                                   |
| 30 June 2014   | 2.5                                   |
| <b>Average annual compound crediting rate (p.a.)</b> |                                       |
| Over 3 years   | 1.9                                   |
| Over 5 years   | 2.1                                   |
| Over 10 years  | 3.1                                   |

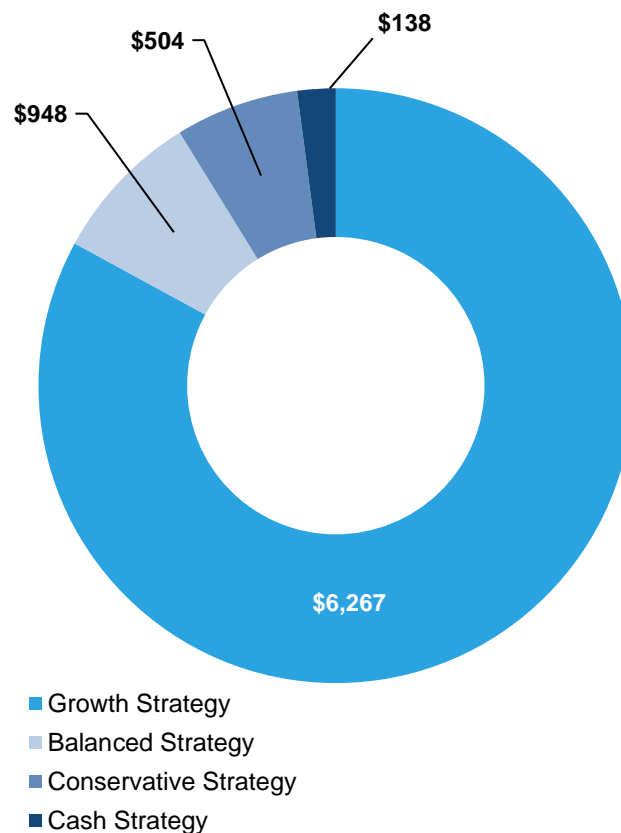
## Funds under management (FUM)

FUM per investment strategy at 30 June 2018 (\$ millions) \*

### DEFINED BENEFIT STRATEGIES



### MEMBER INVESTMENT CHOICE STRATEGIES



\*Excludes Employer Sponsor Receivable

## Investment policies and practices

### STRATEGIC ASSET ALLOCATION

State Super allocates asset classes into three categories – liquid growth, alternatives and liquid defensive – to more closely reflect the role of each category within the portfolio.

The liquid growth category of assets consists of Australian and international listed equities. The liquid defensive category consists of Australian and international fixed interest, inflation-linked bonds, defensive strategies and cash. Property, infrastructure, corporate debt, absolute return strategies and private equity comprise the alternatives category.

**Liquid growth** is expected to make a large contribution to long-term returns; however, the market is likely to remain highly volatile. The allocation to liquid growth, as well as the allocation between Australian and international equities within this category may be changed from time to time depending on market opportunities.

**Alternatives** serve a dual purpose. Some of the asset classes in this category are expected to generate returns in line with or higher than return objective. Other asset classes within the alternatives category are expected to have the dual objective of providing return, and the ability to provide downside protection when markets are turbulent.

**Liquid defensive** represents asset classes that tend to do well when markets are turbulent. These asset classes provide capital protection when most other strategies are not performing well but are not expected to significantly contribute to the return over the long term.

State Super can dynamically allocate assets between liquid defensive and liquid growth strategies based on changes in the investment environment. The allocation to alternatives, on the other hand, is strategic in nature and generally illiquid, with investments being held over the medium to long term.

State Super reviews the strategic asset allocation of each investment strategy annually in conjunction with its advisers. For the Member Investment Choice and University investment strategies State Super considers quarterly

whether any dynamic asset allocation tilts are appropriate given current valuations. For Trustee Selection, dynamic asset allocation is undertaken by TCorp.

## MARKET RISK PROTECTION STRATEGIES

**Downside protection** – The Trustee may employ a series of investment strategies to manage downside risk, which could include a combination of derivatives for hedging and exposure management, rotation of assets and managers, centralised risk managed currency overlay, option strategies and manager benchmarking focused on downside risk management.

**Exposure management** – In the case of the Trustee Selection and Growth Strategies, the listed asset classes can be tilted away from their respective asset allocation weights in a disciplined manner. The portfolios are tilted using dynamic asset allocation ranges set for each of the strategies to capture upside potential gains and provide a degree of downside protection.

The Balanced and Conservative Strategies are currently rebalanced back to their respective target allocations monthly. If an asset class has deviated away from the target asset allocation, the manager trades against the Growth Strategy to return allocations to the target asset allocation. The exposure management process may involve the use of derivatives.

## Divestment of investments in tobacco product manufacturers and controversial weapons manufacturers

In 2012–13, the Trustee Board decided to divest its holdings in tobacco product manufacturers and to exclude investments in manufacturers of controversial weapons, including cluster munitions and chemical and biological weapons. State Super's Environmental, Social and Governance policy was subsequently updated to reflect the decisions. At 30 June 2018, State Super had no exposure to controversial weapons manufacturers or tobacco product manufacturers.

## INVESTMENT GOVERNANCE FRAMEWORK

The Trustee Board has approved State Super's Investment Governance Framework, which encompasses the systems, structures, policies, processes and people which support the selection, management and monitoring of investment decisions made for the Pooled Fund. The Investment Governance Structure is a combination of legislative requirements, Ministerial Orders, Board and Board Sub-Committee oversight, and managed and monitored by State Super's Executive and the appointed Master Investment Manager.

Key components of the Framework include the following committees, teams and individuals.

**Board Investment Committee** – The Trustee Board established an Investment Committee to support the Board in determining the investment strategy and risk for the DB, DC and University portfolios. This involves overseeing the process of appointing and replacing investment managers for the DC and University portfolios, and to receive advice from TCorp, PwC and others, on investment strategy and asset and liability management for the DB portfolio.

**Risk, Audit and Compliance Committee** – The Trustee Board established the Risk, Audit and Compliance Committee to support the Board by reviewing and monitoring State Super's governance, risk and compliance frameworks, including audit arrangements, selection of the Appointed Actuary, the triennial review of the Pooled Fund and the review of policies and procedures.

**Management Investment Committee** – The Management Investment Committee was established as the governing body for management investment processes for the Member Investment Choice and Universities strategies and for oversight of the Trustee Selection strategy. Its purpose is to assist the CEO with executing investment-related delegations from the Board, and to progress policy and strategy development and implementation, product structure and design and investment manager selections for the Member Investment Choice and Universities strategies.

**Investment Team** – This team is responsible for executing State Super's Investment Policy Statement by recommending strategic asset allocation decisions for each of the investment options within the Pooled Fund and dynamic asset allocation decisions for the Member Investment Choice and Universities strategies; reviewing and monitoring the performance of the Master Investment Manager; managing liquidity to ensure each Member Investment Choice strategy can meet its liability requirements, and managing all the investment decisions and processes for the Member Investment Choice and Universities investment strategies.

**Master Investment Manager** – In March 2014, the NSW Government announced its intention to amalgamate the funds management activities of the State's financial assets within NSW Treasury Corporation (TCorp). After a full due diligence process the State Super Board appointed TCorp as Master Investment Manager for the defined benefit assets. This arrangement is governed by a written contract, the MFSA, which establishes the services and functions of TCorp. The appointment of TCorp commenced 15 June 2015. The MFSA was updated to comply with the Ministerial Orders and executed in October 2016.

**Vendor Management Team** – This team is responsible for the active oversight and monitoring of TCorp to monitor compliance, reduce risk, improve service delivery and promote greater transparency in investments and operations.



**Asset Consultant** – Frontier Advisors Pty Limited, as Asset Consultant for the Member Investment Choice and Universities investment strategies, provides a range of services that include the review of investment objectives, strategic asset allocation and the risk/return profile of investment options.

**Scheme Actuary** – PricewaterhouseCoopers Securities Limited is State Super's Scheme Actuary. The services include advice on the triennial review which projects the profile of the Fund's assets and liabilities to the funding position and schemes' requirements. It also includes asset and liability modelling to test sensitivities to different funding, return, salary, inflation and longevity assumptions.

**Master custodian** – The Trustee Board has appointed JPMorgan Chase Bank, NA, as Master Custodian to hold the Pooled Fund's assets. The master custodian also values the Fund daily and monitors each investment manager's daily activity to ensure compliance with its investment mandate.

**Investment managers** – As required by the Superannuation Administration Act 1996 (NSW), all the Pooled Fund's assets are managed by external investment managers appointed by State Super. Each manager operates under a written agreement which can take the form of an Investment Management Agreement or Side Letter as appropriate. Investment managers' performance is monitored throughout the year and new managers may be added or existing managers replaced.

**Policies** – State Super has a range of policies supporting the Investment Governance Framework. These include the:

- Investment Beliefs
- Investment Policy Statement
- Derivative Risk Statement
- Liquidity Policy
- ESG/Proxy Voting Policy
- Large Exposure and Counterparty Policy.

**Derivatives** – Derivatives, including futures and options, can be used by State Super's investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or investment portfolio gearing.

**Currency hedging policy** – The Trustee's policy for currency hedging at 30 June 2018 was as follows:

- international equities – developed market equities are hedged from 0% to 100% in Australian dollars
- international equities – emerging market equities are unhedged
- international property, infrastructure and alternative assets are hedged from 0% to 100% in Australian dollars
- international fixed interest assets (sovereign debt) are hedged from 0% to 100% in Australian dollars.

## Defined Benefit investment strategies at 30 June 2018

### TRUSTEE SELECTION STRATEGY

**Investment objective:** The objective of the Trustee Selection Strategy is to maximise the earnings rate, subject to a greater than 50% probability of exceeding CPI + 4.0% p.a. over rolling 10-year periods.

**Risk:** High (standard risk measure (SRM) risk band 6: from 4 to less than 6 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2018: \$34,636 million**

**Asset allocation at 30 June 2018:**

|                              | Strategic %  | Actual %     |
|------------------------------|--------------|--------------|
| <b>Liquid growth</b>         | <b>48.0</b>  | <b>48.0</b>  |
| Australian equities          | 20.5         | 21.1         |
| International equities       | 27.5         | 26.9         |
| <b>Alternatives</b>          | <b>37.0</b>  | <b>35.5</b>  |
| Infrastructure               | 10.0         | 11.2         |
| Property                     | 7.0          | 6.9          |
| Other alternatives           | 20.0         | 17.4         |
| <b>Liquid defensive</b>      | <b>15.0</b>  | <b>16.5</b>  |
| Australian fixed interest    | 5.0          | 5.6          |
| International fixed interest | 0.0          | 0.0          |
| Cash                         | 6.0          | 6.5          |
| <b>TOTAL</b>                 | <b>100.0</b> | <b>100.0</b> |

### UNIVERSITY DIVERSIFIED CONSERVATIVE STRATEGY

**Investment objective:** The investment objective of the University Diversified Conservative Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 0.5% p.a. over rolling 4-year periods.

**Risk:** Low to medium (SRM risk band 3: from 1 to less than 2 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2018: \$144 million**

**Asset allocation at 30 June 2018:**

|                              | Strategic %  | Actual %     |
|------------------------------|--------------|--------------|
| <b>Liquid growth</b>         | <b>19.0</b>  | <b>19.9</b>  |
| Australian equities          | 8.0          | 8.2          |
| International equities       | 11.0         | 11.7         |
| <b>Alternatives</b>          | <b>0.0</b>   | <b>0.0</b>   |
| <b>Liquid defensive</b>      | <b>81.0</b>  | <b>80.1</b>  |
| Australian fixed interest    | 4.0          | 3.8          |
| International fixed interest | 2.0          | 1.8          |
| Cash                         | 75.0         | 74.5         |
| <b>TOTAL</b>                 | <b>100.0</b> | <b>100.0</b> |

### UNIVERSITY CASH STRATEGY

**Investment objective:** The investment objective of the University Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding cash p.a. over rolling three-year periods.

**Risk:** Very Low (SRM risk band 1: less than 0.5 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2018: \$384 million**

**Asset allocation at 30 June 2018:**

|                              | Strategic %  | Actual %     |
|------------------------------|--------------|--------------|
| <b>Liquid growth</b>         | <b>0.0</b>   | <b>0.0</b>   |
| <b>Alternatives</b>          | <b>0.0</b>   | <b>0.0</b>   |
| <b>Liquid defensive</b>      | <b>100.0</b> | <b>100.0</b> |
| Australian fixed interest    | 0.0          | 0.0          |
| International fixed interest | 0.0          | 0.0          |
| Cash                         | 100.0        | 100.0        |
| <b>TOTAL</b>                 | <b>100.0</b> | <b>100.0</b> |

## Member Investment Choice strategies at 30 June 2018

### GROWTH STRATEGY

**Investment objective:** The objective of the Growth Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 3.5% p.a. over rolling 7-year periods.

**Risk:** Medium to high (SRM risk band 5: from 3 to less than 4 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2018:** \$6,267 million

**Asset allocation at 30 June 2018:**

|                              | Strategic %  | Actual %     |
|------------------------------|--------------|--------------|
| <b>Liquid growth</b>         | <b>51.0</b>  | <b>56.5</b>  |
| Australian equities          | 22.5         | 24.2         |
| International equities       | 28.5         | 32.3         |
| <b>Alternatives</b>          | <b>36.5</b>  | <b>31.2</b>  |
| Infrastructure               | 12.0         | 8.3          |
| Property                     | 8.0          | 9.4          |
| Other alternatives           | 16.5         | 13.5         |
| <b>Liquid defensive</b>      | <b>12.5</b>  | <b>12.3</b>  |
| Australian fixed interest    | 4.0          | 3.6          |
| International fixed interest | 2.0          | 2.0          |
| Cash                         | 6.5          | 6.7          |
| <b>TOTAL</b>                 | <b>100.0</b> | <b>100.0</b> |

### BALANCED STRATEGY

**Investment objective:** The objective of the Balanced Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 2.25% p.a. over rolling 7-year periods.

**Risk:** Medium (SRM risk band 4: from 2 to less than 3 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2018:** \$948 million

**Asset allocation at 30 June 2018:**

|                              | Strategic %  | Actual %     |
|------------------------------|--------------|--------------|
| <b>Liquid growth</b>         | <b>36.0</b>  | <b>40.0</b>  |
| Australian equities          | 14.0         | 14.8         |
| International equities       | 22.0         | 25.2         |
| <b>Alternatives</b>          | <b>27.5</b>  | <b>26.3</b>  |
| Infrastructure               | 10.5         | 10.9         |
| Property                     | 6.5          | 6.7          |
| Other alternatives           | 10.5         | 8.7          |
| <b>Liquid defensive</b>      | <b>36.5</b>  | <b>33.7</b>  |
| Australian fixed interest    | 7.5          | 6.0          |
| International fixed interest | 2.5          | 2.5          |
| Cash                         | 26.5         | 25.2         |
| <b>TOTAL</b>                 | <b>100.0</b> | <b>100.0</b> |

## CONSERVATIVE STRATEGY

**Investment objective:** The objective of the Conservative Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 1.0% p.a. over rolling 4-year periods.

**Risk:** Low to medium (SRM risk band 3: from 1 to less than 2 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2018:** \$504 million

**Asset allocation at 30 June 2018:**

|                              | Strategic %  | Actual %     |
|------------------------------|--------------|--------------|
| <b>Liquid growth</b>         | <b>21.0</b>  | <b>23.4</b>  |
| Australian equities          | 8.5          | 9.2          |
| International equities       | 12.5         | 14.2         |
| <b>Alternatives</b>          | <b>25.0</b>  | <b>24.3</b>  |
| Infrastructure               | 10.5         | 10.9         |
| Property                     | 6.5          | 6.7          |
| Other alternatives           | 8.0          | 6.7          |
| <b>Liquid defensive</b>      | <b>54.0</b>  | <b>52.3</b>  |
| Australian fixed interest    | 6.0          | 5.5          |
| International fixed interest | 3.0          | 3.1          |
| Cash                         | 45.0         | 43.7         |
| <b>TOTAL</b>                 | <b>100.0</b> | <b>100.0</b> |

## CASH STRATEGY

**Investment objective:** The objective of the Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding the Cash p.a. over rolling 3-year periods.

**Risk:** Very low (SRM risk band 1: less than 0.5 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2018:** \$138 million

**Asset allocation at 30 June 2018:**

|                         | Strategic %  | Actual %     |
|-------------------------|--------------|--------------|
| <b>Liquid growth</b>    | <b>0.0</b>   | <b>0.0</b>   |
| <b>Alternatives</b>     | <b>0.0</b>   | <b>0.0</b>   |
| <b>Liquid defensive</b> | <b>100.0</b> | <b>100.0</b> |
| Cash                    | 100.0        | 100.0        |
| <b>TOTAL</b>            | <b>100.0</b> | <b>100.0</b> |

## Investment expenses

The indirect cost percentage for an investment strategy is the investment management expenses incurred by the strategy expressed as a percentage of the average net asset value of the strategy. The estimated indirect cost percentages for the seven investment strategies for 2018-19 are shown below.

(Note, the indirect cost percentages for 2018-19 are estimates only and may change due to market circumstances or changes in the structure of the asset sectors as the year unfolds.)

| Investment indirect cost ratio of average total assets |                                   |  |  |
|--|-----------------------------------|--|--|
| Strategy   | Actual 2017-18                    | Estimated 2017-18                        | Estimated 2018-19                        |
| <b>Defined benefit investment strategies</b>           |                                   |  |  |
| Trustee Selection                                      | 0.43%                             | 0.48%                                    | 0.48%                                    |
| University Diversified Conservative                    | 0.09%                             | 0.13%                                    | 0.09%                                    |
| University Cash  | 0.04%                             | 0.05%                                    | 0.04%                                    |
| <b>Member Investment Choice investment strategies</b>  |                                   |  |  |
| Growth   | 0.36%*                            | 0.47%*                                   | 0.46%*                                   |
| Balanced   | 0.30%                             | 0.33%                                    | 0.34%                                    |
| Conservative   | 0.24%                             | 0.25%                                    | 0.29%                                    |
| Cash   | 0.04%                             | 0.04%                                    | 0.04%                                    |
|  | *0.36% + nil performance fee paid | *estimated 0.39% + 0.08% performance fee | *estimated 0.38% + 0.08% performance fee |

## Changes to investment strategies effective 1 July 2018

In June 2018, State Super undertook its annual detailed review of the investment strategies and objectives for each investment option of the Pooled Fund. There are no changes made this year.

| Investment Options                           | Return Objectives effective 1 July 2017         | Return Objectives effective 1 July 2018         |
|--|---|---|
| Growth Strategy                              | CPI + 3.5% p.a.<br>over rolling 7-year periods  | CPI + 3.5% p.a.<br>over rolling 7-year periods  |
| Balanced Strategy                            | CPI + 2.25% p.a.<br>over rolling 7-year periods | CPI + 2.25% p.a.<br>over rolling 7-year periods |
| Conservative Strategy                        | CPI + 1.0% p.a.<br>over rolling 4-year periods  | CPI + 1.0% p.a.<br>over rolling 4-year periods  |
| Cash Strategy                                | Cash return<br>over rolling 3-year periods      | Cash return<br>over rolling 3-year periods      |
| Trustee Selection Strategy                   | CPI + 4.0% p.a.<br>over rolling 10-year periods | CPI + 4.0% p.a.<br>over rolling 10-year periods |
| University Diversifies Conservative Strategy | CPI + 0.5% p.a.<br>over rolling 4-year periods  | CPI + 0.5% p.a.<br>over rolling 4-year periods  |
| University Cash Strategy                     | Cash return<br>over rolling 3-year periods      | Cash return<br>over rolling 3-year periods      |

### Strategic asset allocation changes

As part of the review, several minor strategic asset allocation changes have been made both within and between asset classes across the State Super Growth, Balanced, Conservative and Trustee Selection Strategies. We continue to harmonise illiquid assets across different options to enhance portfolio liquidity. These changes have been implemented by re-weighting the allocation within alternative asset classes. While we continue to maintain a constructive outlook, we are mindful of the heightened risk and these changes further improve the diversification and additional downside risk protection.

### Growth Balanced and Conservative Strategy

There were no major allocation changes for the Growth and Conservative strategies. For the Balanced Strategy, the allocation to Australian Equities was decreased to fund an increased allocation to unlisted property.

### Trustee Selection Strategy

Trustee Selection is a defined benefit scheme with different investment time horizon to DC options. This allows Trustee Selection to benefit from additional premium by investing into less liquid assets. This is reflected in by the increase in allocation to unlisted infrastructure. Additionally, we have included Defensive strategies to mitigate sequencing risk associated with Trustee Selection.

No changes have been made to the asset allocations for Cash and University Cash Strategies.

## STRATEGIC ASSET ALLOCATIONS FOR DEFINED BENEFIT STRATEGIES

### Trustee Selection Strategy

Effective from 1 July 2018, the strategic asset allocation for the Trustee Selection Strategy was revised as follows:

|                              | Strategic asset allocation % | Dynamic asset allocation range % |
|------------------------------|------------------------------|----------------------------------|
| <b>Liquid growth</b>         | <b>48.0</b>                  | <b>32.0 – 64.0</b>               |
| Australian equities          | 20.0                         |                                  |
| International equities       | 28.0                         |                                  |
| <b>Alternatives</b>          | <b>38.0</b>                  | <b>28.0 – 48.0</b>               |
| Infrastructure               | 11.0                         |                                  |
| Property                     | 7.0                          |                                  |
| Other alternatives           | 20.0                         |                                  |
| <b>Liquid defensive</b>      | <b>14.0</b>                  | <b>10.0 – 30.0</b>               |
| Australian fixed interest    | 5.0                          |                                  |
| International fixed interest | 0                            |                                  |
| Other defensive strategies   | 5.0                          |                                  |
| Cash                         | 4.0                          |                                  |
| <b>TOTAL</b>                 | <b>100.0</b>                 | <b>100.0</b>                     |

### University Diversified Conservative Strategy

Effective from 1 July 2018, the strategic asset allocation for the University Diversified Conservative Strategy was revised as follows:

|                              | Strategic asset allocation % | Dynamic asset allocation range % |
|------------------------------|------------------------------|----------------------------------|
| <b>Liquid growth</b>         | <b>19.0</b>                  | <b>11.0 – 27.0</b>               |
| Australian equities          | 8.0                          |                                  |
| International equities       | 11.0                         |                                  |
| <b>Alternatives</b>          | <b>0.0</b>                   | <b>N/A</b>                       |
| <b>Liquid defensive</b>      | <b>81.0</b>                  | <b>73.0 – 89.0</b>               |
| Australian fixed interest    | 4.0                          |                                  |
| International fixed interest | 2.0                          |                                  |
| Cash                         | 75.0                         |                                  |
| <b>TOTAL</b>                 | <b>100.0</b>                 | <b>100.0</b>                     |

### University Cash Strategy

Effective from 1 July 2018, the strategic asset allocation for the University Cash Strategy was revised as follows:

|                         | Strategic asset allocation % |
|-------------------------|------------------------------|
| <b>Liquid growth</b>    | <b>0.0</b>                   |
| <b>Alternatives</b>     | <b>0.0</b>                   |
| <b>Liquid defensive</b> | <b>100.0</b>                 |
| Cash                    | 100.0                        |
| <b>TOTAL</b>            | <b>100.0</b>                 |

Note: Dynamic asset allocation ranges are not used in the University Cash Strategy.

## STRATEGIC ASSET ALLOCATIONS FOR MEMBER INVESTMENT CHOICE STRATEGIES

### Growth Strategy

Effective from 1 July 2018, the strategic asset allocation for the Growth Strategy was revised as follows:

|                              | Strategic asset allocation % | Dynamic asset allocation range % |
|------------------------------|------------------------------|----------------------------------|
| <b>Liquid growth</b>         | <b>51.0</b>                  | <b>35.0 – 67.0</b>               |
| Australian equities          | 22.5                         |                                  |
| International equities       | 28.5                         |                                  |
| <b>Alternatives</b>          | <b>36.0</b>                  | <b>28.0 – 44.0</b>               |
| Infrastructure               | 10.5                         |                                  |
| Property                     | 8.0                          |                                  |
| Other alternatives           | 17.5                         |                                  |
| <b>Liquid defensive</b>      | <b>13.0</b>                  | <b>10.0 – 29.0</b>               |
| Australian fixed interest    | 4.0                          |                                  |
| International fixed interest | 2.0                          |                                  |
| Defensive strategies         | 0.5                          |                                  |
| Cash                         | 6.5                          |                                  |
| <b>TOTAL</b>                 | <b>100.0</b>                 | <b>100.0</b>                     |

### Balanced Strategy

Effective from 1 July 2018, the strategic asset allocation for the Balanced Strategy was revised as follows:

|                              | Strategic asset allocation % | Dynamic asset allocation range % |
|------------------------------|------------------------------|----------------------------------|
| <b>Liquid growth</b>         | <b>34.5</b>                  | <b>24.5 – 44.5</b>               |
| Australian equities          | 12.5                         |                                  |
| International equities       | 22.0                         |                                  |
| <b>Alternatives</b>          | <b>28.5</b>                  | <b>20.5 – 36.5</b>               |
| Infrastructure               | 10.5                         |                                  |
| Property                     | 8.0                          |                                  |
| Other alternatives           | 10.0                         |                                  |
| <b>Liquid defensive</b>      | <b>37.0</b>                  | <b>27.0 – 47.0</b>               |
| Australian fixed interest    | 7.5                          |                                  |
| International fixed interest | 2.5                          |                                  |
| Defensive strategies         | 0.5                          |                                  |
| Cash                         | 26.5                         |                                  |
| <b>TOTAL</b>                 | <b>100.0</b>                 | <b>100.0</b>                     |

### Conservative Strategy

Effective from 1 July 2018, the strategic asset allocation for the Conservative Strategy was revised as follows:

|                              | Strategic asset allocation % | Dynamic asset allocation range % |
|------------------------------|------------------------------|----------------------------------|
| <b>Liquid growth</b>         | <b>21.0</b>                  | <b>13.0 – 29.0</b>               |
| Australian equities          | 8.5                          |                                  |
| International equities       | 12.5                         |                                  |
| <b>Alternatives</b>          | <b>24.5</b>                  | <b>16.5 – 32.5</b>               |
| Infrastructure               | 10.5                         |                                  |
| Property                     | 8.0                          |                                  |
| Other alternatives           | 6.0                          |                                  |
| <b>Liquid defensive</b>      | <b>54.5</b>                  | <b>46.5 – 62.5</b>               |
| Australian fixed interest    | 6.0                          |                                  |
| International fixed interest | 3.0                          |                                  |
| Defensive strategies         | 0.5                          |                                  |
| Cash                         | 45.0                         |                                  |
| <b>TOTAL</b>                 | <b>100.0</b>                 | <b>100.0</b>                     |

### Cash Strategy

Effective from 1 July 2018, the strategic asset allocation for the Cash Strategy was revised as follows:

|                         | Strategic asset allocation % |
|-------------------------|------------------------------|
| <b>Liquid growth</b>    | <b>0.0</b>                   |
| Australian equities     | 0.0                          |
| International equities  | 0.0                          |
| <b>Alternatives</b>     | <b>0.0</b>                   |
| <b>Liquid defensive</b> | <b>100.0</b>                 |
| Cash                    | 100.0                        |
| <b>TOTAL</b>            | <b>100.0</b>                 |

Note: Dynamic asset allocation ranges are not used in the Cash Strategy.

## Investment managers at 30 June 2018

|  | Trustee Selection Strategy | Member Investment Choice Strategies | University Strategies |
|--|----------------------------|-------------------------------------|-----------------------|
| <b>Australian equities</b>                           |                            |                                     |                       |
| Aberdeen Standard Investments                        | –                          | ✓                                   | –                     |
| Balanced Equity Management Pty Limited               | ✓                          | –                                   | –                     |
| BlackRock Asset Management Australia Limited         | ✓                          | –                                   | –                     |
| Citigroup Global Markets Australia Pty Ltd           | ✓                          | ✓                                   | –                     |
| Cooper Investors Pty Limited                         | ✓                          | –                                   | –                     |
| Hyperion Asset Management Limited                    | ✓                          | –                                   | –                     |
| JCP Investment Partners                              | –                          | ✓                                   | –                     |
| Lazard Asset Management Pacific Co                   | ✓                          | ✓                                   | –                     |
| Macquarie Group Limited                              | –                          | ✓                                   | –                     |
| Macquarie Investment Management Limited              | ✓                          | –                                   | –                     |
| Maple-Brown Abbott Limited                           | ✓                          | –                                   | –                     |
| New South Wales Treasury Corporation                 | ✓                          | –                                   | –                     |
| Northcape Capital Pty Ltd                            | ✓                          | ✓                                   | –                     |
| Pendal Group Limited                                 | ✓                          | ✓                                   | –                     |
| Platypus Asset Management Pty Ltd                    | ✓                          | ✓                                   | –                     |
| State Street Bank & Trust Company                    | ✓                          | ✓                                   | –                     |
| State Street Global Advisors Australia Limited       | ✓                          | ✓                                   | –                     |
| <b>International equities</b>                        |                            |                                     |                       |
| AQR Capital Management LLC                           | ✓                          | ✓                                   | –                     |
| Arrowstreet Emerging Markets Fund                    | –                          | ✓                                   | –                     |
| Artisan Partners Limited Partnership                 | ✓                          | –                                   | –                     |
| AXA Rosenberg (via Equity Trustees Ltd)              | ✓                          | –                                   | –                     |
| C Worldwide Asset Management Fondsmæglerselskab A/S  | ✓                          | ✓                                   | –                     |
| Citigroup Global Markets Australia Pty Ltd           | ✓                          | ✓                                   | –                     |
| Genesis Investment Management, LLP                   | ✓                          | ✓                                   | –                     |
| Harris Associates Limited Partnership                | ✓                          | –                                   | –                     |
| Investec Asset Management Limited                    | ✓                          | ✓                                   | –                     |
| Lazard Asset Management Pacific Co                   | ✓                          | –                                   | –                     |
| Morgan Stanley Investment Management Ltd             | ✓                          | –                                   | –                     |
| New South Wales Treasury Corporation                 | ✓                          | ✓                                   | –                     |
| Realindex Investments Pty Limited                    | ✓                          | –                                   | –                     |
| Sanders Capital LLC                                  | –                          | ✓                                   | –                     |
| State Street Bank & Trust Company                    | ✓                          | ✓                                   | –                     |
| State Street Global Advisors Australia Limited       | ✓                          | ✓                                   | ✓                     |
| <b>Property</b>                                      |                            |                                     |                       |
| AEW Capital Management, LP (via Equity Trustees Ltd) | –                          | ✓                                   | –                     |
| AMP Capital Investors Limited                        | –                          | ✓                                   | –                     |
| Dexus Funds Management Limited                       | ✓                          | –                                   | –                     |
| EG Funds Management Pty Ltd                          | ✓                          | –                                   | –                     |



|   | Trustee Selection Strategy | Member Investment Choice Strategies | University Strategies |
|---|----------------------------|-------------------------------------|-----------------------|
| <b>Property cont.</b>                                     |                            |                                     |                       |
| Franklin Templeton Investments Australia Limited          | ✓                          | –                                   | –                     |
| Invesco Real Estate (via Equity Trustees Ltd)             | –                          | ✓                                   | –                     |
| Investa Property Group                                    | –                          | ✓                                   | –                     |
| ISPT Pty Ltd  | –                          | ✓                                   | –                     |
| LaSalle Investment Management (via Equity Trustees Ltd)   | –                          | ✓                                   | –                     |
| Resolution Capital  | –                          | ✓                                   | –                     |
| SG Hiscock & Company Limited                              | ✓                          | –                                   | –                     |
| Vanguard Investments Australia Ltd                        | ✓                          | –                                   | –                     |
| <b>International fixed interest</b>                       |                            |                                     |                       |
| State Street Global Advisors Australia Limited            | ✓                          | ✓                                   | –                     |
| <b>Australian fixed interest &amp; cash</b>               |                            |                                     |                       |
| Colonial First State Asset Management (Australia) Limited | ✓                          | –                                   | –                     |
| New South Wales Treasury Corporation                      | ✓                          | –                                   | –                     |
| Pendal Group Limited                                      | ✓                          | ✓                                   | –                     |
| State Street Global Advisors Australia Limited            | ✓                          | ✓                                   | ✓                     |
| <b>Alternative assets</b>                                 |                            |                                     |                       |
| AMP Capital Funds Management Limited                      | ✓                          | ✓                                   | –                     |
| Challenger Investment Partners Limited                    | –                          | ✓                                   | –                     |
| Fulcrum Asset Management LLP                              | ✓                          | ✓                                   | –                     |
| GAM International Management Limited                      | –                          | ✓                                   | –                     |
| GMO Australia Limited                                     | ✓                          | –                                   | –                     |
| Kohlberg Kravis Roberts & Co. L.P.                        | –                          | ✓                                   | –                     |
| Macquarie Investment Management Limited                   | ✓                          | –                                   | –                     |
| MAN Group plc   | –                          | ✓                                   | –                     |
| Perennial Value Management Limited                        | –                          | ✓                                   | –                     |
| PIMPO Australia Pty Ltd                                   | ✓                          | –                                   | –                     |
| PineBridge Investments LLC                                | ✓                          | ✓                                   | –                     |
| Pyrford International                                     | ✓                          | –                                   | –                     |
| Siguler Guff Distressed Opportunities Fund III (F) LP     | ✓                          | –                                   | –                     |
| Siguler Guff Distressed Opportunities Fund IV (F) LP      | ✓                          | –                                   | –                     |
| Whitehelm Capital Pty Ltd                                 | ✓                          | –                                   | –                     |
| <b>Currency</b>   |                            |                                     |                       |
| AQR Capital Management LLC                                | ✓                          | –                                   | –                     |
| PIMCO Australia Pty Ltd                                   | ✓                          | –                                   | –                     |
| State Street Global Advisors Australia Limited            | ✓                          | ✓                                   | –                     |

|  | Trustee Selection Strategy | Member Investment Choice Strategies | University Strategies |
|--|----------------------------|-------------------------------------|-----------------------|
| <b>High Yield/Bank Loans/EMD</b>                             |                            |                                     |                       |
| Brigade Capital Management LP                                | ✓                          | —                                   | —                     |
| Intermediate Capital Group Limited                           | ✓                          | —                                   | —                     |
| Investec Asset Management Australia Pty Ltd                  | ✓                          | —                                   | —                     |
| KKR Australia Investment Management Pty Limited              | ✓                          | —                                   | —                     |
| Lazard Asset Management Pacific Co                           | ✓                          | —                                   | —                     |
| Nomura Corporate Research and Asset Management In            | ✓                          | —                                   | —                     |
| PineBridge Investments LLC                                   | ✓                          | —                                   | —                     |
| <b>Infrastructure</b>  |                            |                                     |                       |
| AMP Capital Funds Management Limited                         | ✓                          | —                                   | —                     |
| Colonial First State Global Asset Management (Australia) Ltd | —                          | ✓                                   | —                     |
| H.R.L. Morrison & Co Limited                                 | —                          | ✓                                   | —                     |
| Lazard Asset Management Pacific Co                           | ✓                          | —                                   | —                     |
| Macquarie Specialised Asset Management Limited               | ✓                          | —                                   | —                     |
| New South Wales Treasury Corporation                         | ✓                          | ✓                                   | —                     |
| QIC Limited  | —                          | ✓                                   | —                     |
| RARE Infrastructure Limited                                  | —                          | ✓                                   | —                     |
| Whitehelm Capital Pty Ltd                                    | ✓                          | —                                   | —                     |
| <b>Diversified</b>   |                            |                                     |                       |
| State Street Global Advisors Australia Limited               | —                          | —                                   | ✓                     |

# Member engagement

## Overview of scheme membership

The membership of the State Super schemes at 30 June 2018 is set out below.

| Scheme                          | At 30 June 2013 | At 30 June 2018 | Movement % over 5 years |
|---------------------------------|-----------------|-----------------|-------------------------|
| <b>Active members</b>           |                 |                 |                         |
| SASS                            | 34,978          | 21,038          | -40%                    |
| SSS                             | 11,060          | 3,080           | -72%                    |
| PSS                             | 1,532           | 913             | -40%                    |
| <b>Total</b>                    | <b>47,570</b>   | <b>25,031</b>   | <b>-47%</b>             |
| <b>Deferred benefit members</b> |                 |                 |                         |
| SASS                            | 10,540          | 9,606           | -9%                     |
| SSS                             | 2,490           | 1,412           | -43%                    |
| PSS                             | 128             | 93              | -27%                    |
| <b>Total</b>                    | <b>13,158</b>   | <b>11,111</b>   | <b>-16%</b>             |
| <b>Pension members</b>          |                 |                 |                         |
| SASS                            | 3,894           | 4,479           | 15%                     |
| SSS                             | 50,840          | 55,403          | 9%                      |
| PSS                             | 6,517           | 6,610           | 1%                      |
| <b>Total</b>                    | <b>61,251</b>   | <b>66,492</b>   | <b>9%</b>               |
| <b>Total</b>                    | <b>121,979</b>  | <b>102,634</b>  | <b>-16%</b>             |

The State Super schemes are closed to new members. Over the past five years, the number of active members fell by 22,539, while the number of pension members increased by 5,241. Refer to page 68 for membership statistics for the past five years.

## The next five years

Over the coming five-year period to 30 June 2023, the membership of the State Super schemes will continue to fall to a projected 84,631 members, while the contributory or active membership will halve to 12,358 members. This rapid reduction in contributors reflects the age profile of the membership as well as the SSS benefit design, which encourages retirement by age 60. Over the period to 2023, the deferred benefit membership is projected to fall to 6,606 members, as these members reach the age when they can claim their benefit.

The number of pension members is projected to fall slightly from 66,492 to 65,667 in 2023 after peaking in 2019. Over the longer term, pension members will be the only members in the State Super schemes.

## Benefits for members

State Super continues to provide a range of services to enable members to obtain timely, accurate and useful information on the schemes and their personal benefit entitlements.

### INFORMATION, EDUCATION AND ADVICE SERVICES

The trends in members' use of the services are shown in the table below.

|                           | 2015–16 | 2016–17 | 2017–18 |
|---------------------------|---------|---------|---------|
| Telephone calls           | 89,059  | 90,662  | 78,845  |
| Letters                   | 5,529   | 5,214   | 4,795   |
| Emails                    | 12,347  | 16,997  | 23,210  |
| Seminar attendance        | 2,091   | 1,693   | 1,681   |
| Personal interviews       | 790     | 694     | 473     |
| Financial planning advice | 20,982  | 24,434  | 15,442  |

#### Personal interview service

Personal interviews are available for current and deferred State Super members. Members are provided with general advice about their scheme and general superannuation information. During 2017–18, Mercer, on behalf of State Super, conducted 473 interviews, mainly at their Sydney CBD office, with the remainder held in regional offices of StatePlus.

#### Financial planning advice

StatePlus provides financial planning advice to members of the State Super schemes and their relatives.

State Super and StatePlus continue to liaise closely to ensure that State Super scheme members continue to have access to high-quality information and advice about their scheme entitlements and financial planning. During 2017–18, StatePlus made 15,442 financial planner appointments for State Super members or relatives of State Super members.

#### Retirement planning seminars

During 2017–18, StatePlus delivered 75 retirement planning seminars across NSW metropolitan and regional areas on behalf of State Super. Of these, 62 were SASS-based seminars and 13 were SSS based. These were attended by 1,681 SASS and SSS members.

## OTHER BENEFITS FOR MEMBERS

### Salary sacrifice contributions

All members have the option of contributing their compulsory member contributions on a post or pre-tax (salary sacrifice) basis. The majority of members in all schemes make salary sacrifice contributions. The percentage of member contributions received via salary sacrifice from 1 July 2015 to 30 June 2018 is shown in the following table, with a breakdown per scheme.

#### Percentage of member contributions received via salary sacrifice over the last three years

| Scheme | 2015–16<br>% | 2016–17<br>% | 2017–18<br>% |
|--------|--------------|--------------|--------------|
| SASS   | 72           | 71           | 74           |
| SSS    | 83           | 82           | 81           |
| PSS    | 67           | 67           | 69           |

### SASS member investment choice

SASS members can choose single or multiple investment strategies for their personal account balance and future contributions.

The table below shows the allocation of member account balances by investment strategy. The account balances cover both contributory and deferred SASS members, are net of surcharge tax liabilities and include deferred SANCS benefits invested in the Growth Strategy.

|              | Account balances           |            |                            |            |
|--------------|----------------------------|------------|----------------------------|------------|
|              | 30 June 2017<br>\$ million | %          | 30 June 2018<br>\$ million | %          |
| Growth       | 6,333                      | 83         | 6,267                      | 80         |
| Balanced     | 631                        | 8          | 948                        | 12         |
| Conservative | 513                        | 7          | 504                        | 6          |
| Cash         | 159                        | 2          | 138                        | 2          |
| <b>Total</b> | <b>7,636</b>               | <b>100</b> | <b>7,857</b>               | <b>100</b> |

A large majority of account balances continue to be invested in the Growth Strategy (the default strategy) for member investment choice.

# Part D

## Corporate Governance

The following information is provided in accordance with the Annual Reports (Statutory Bodies) Regulation 2015.

### Corporate governance

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### Risk management

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### Human resource management

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### Budgets

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|--|----|

### Expenditure and disclosure information

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## Corporate governance

Fit-for-purpose and effective governance arrangements are the foundation of high-quality performance. In 2017–18, State Super continues to refine its governance arrangements to increase its organisational governance capability. The governance team will, in the coming year, work to support implementation of a new risk and compliance reporting system and implement an independent expert review of State Super's compliance with HOGA while providing governance support to the organisation.

### State Super's regulatory framework

State Super is governed by the Superannuation Administration Act 1996 (NSW) (SA Act). The SA Act expressly provides that State Super is a trustee for the purposes of the Trustee Act 1925 (NSW).

The State Super schemes are exempt public sector superannuation schemes for the purposes of the Superannuation Industry Supervision Act 1993 (Cth) (SIS Act) and are not regulated under the SIS Act. However, the SIS Act is relevant because the State of NSW is a party to HOGA with the Commonwealth Government. The HOGA contains an undertaking by the State of NSW that it will ensure that members' accrued benefits in exempt schemes are fully protected and that those exempt schemes will, on a best endeavours basis, conform to the principles of the Commonwealth's retirement income policy as reflected in the attachment to the HOGA and from time to time in Commonwealth legislation. State Super considers that the Commonwealth legislation (and the Australian Prudential Regulation Authority (APRA) Superannuation Prudential Standards made under that legislation) provide significant guidance as to the exercise of its statutory and fiduciary functions. Accordingly, State Super aspires to be compliant with Commonwealth legislation including the SIS Act (and the APRA Superannuation Prudential Standards) on a best endeavours basis.

State Super's prudential responsibilities are monitored by the New South Wales Government, with the Treasurer of NSW having specific responsibilities.

State Super will continue to collaborate to promote the Government's amalgamation of investment management within the public sector.

### Compliance framework

State Super's formal compliance framework outlines the processes adopted by the Trustee Board to ensure compliance with the regulatory obligations that apply to State Super's day-to-day operations. The framework is the totality of the systems, structures, policies, processes and people within State Super's business operations that identify, assess and manage compliance obligations. The Trustee Board receives ongoing reporting and actively participates in the monitoring process to ensure the adequacy of the plans and policies, both directly and through its Committees.

State Super's compliance processes include:

- the review and maintenance of plans and policies required by NSW legislation for public sector agencies;
- the review and maintenance of plans and policies that comply (on a best endeavours basis) with the SIS Act, the APRA Superannuation Prudential Standards and the relevant provisions of the Corporations Act 2001;
- the review and maintenance of compliance obligations registers that identify State Super's legislative and contractual obligations;
- ongoing self-assessment of compliance with the compliance obligations register and the reporting of results to the Risk, Audit and Compliance Committee;
- obtaining annual formal verification from State Super's outsourced service providers confirming they have complied with their contractual and legislative obligations in relation to their services to State Super;
- regular monitoring of compliance with obligations as outlined in the compliance obligations register;
- periodic internal audits of compliance with relevant plans and policies;
- regular Board appraisals to assess governance and control practices along with other key elements for Board success.

# Risk management

## Risk management and insurance

The Trustee Board is responsible for having a Risk Management Framework that is appropriate to the size, business mix and complexity of the State Super schemes and which enables the Trustee to effectively manage the material risks presented by its environment and objectives.

The Risk, Audit and Compliance Committee (RACC) assists State Super to monitor and review the Risk Management Framework. Held at least quarterly, the RACC meetings are also attended by members of the Executive and representatives of the NSW Audit Office. Material outsourced providers, including the Administrator, Custodian and Master Investment Manager, also attend RACC meetings when required.

### Risk Management Framework and associated documents

State Super's Risk Management Framework sets out the Trustee Board's approach to risk. It represents the systems, structures, policies, processes and people within State Super's business operations that identify, assess, manage, mitigate and monitor all internal and external sources of inherent risk that could have a material impact on State Super's business operations or the interests of beneficiaries.

State Super's Risk Management Framework has been developed regarding APRA Prudential Standard SPS 220 Risk Management and includes the following:

- Risk Appetite Statement (including Risk Tolerances)
- Risk Management Strategy
- Risk Register.

The **Risk Appetite Statement** articulates the acceptable risk limits within which staff and consultants, whether internal or external, and at all levels of State Super business operations, must operate; while material risks, control methods and ongoing monitoring procedures are set out in State Super's **Risk Management Strategy**. State Super's **Risk Register** details:

- risks that have been identified by the Trustee Board as material
- methods adopted to minimise and/or mitigate material risks
- a methodology for monitoring material risks on an ongoing basis.

The Risk Register is reviewed by State Super staff regularly and reported to the RACC quarterly. A full review is performed annually, entailing a detailed analysis and assessment of the material risks in relation to State Super's objectives, and the scheme's activities and proposed activities for review by the RACC and the Trustee Board.

In addition to the Risk Management Framework, State Super has procedures in relation to:

- the management and monitoring of adequate human, technical and financial resources to enable State Super to carry out its obligations effectively
- the management and control of fraud and corruption
- insurance cover in the event of an unexpected occurrence affecting its operations or resources.

State Super also has policies to deal with risk mitigation, including the **Code of Conduct** and **Ethics and Protected Disclosures Reporting Policy**, which encourage proactive risk management and compliance with regulatory obligations.

### Insurance

During the 2017–18 financial year insurance for State Super was maintained with the NSW Government self-insurance scheme called the Treasury Managed Fund (TMF), which covers the NSW Government's insurable risks. TMF provides cover for the following classes of risk:

- Workers Compensation
- property (full replacement, new for old, including consequential loss)
- liability (including, but not limited to, professional indemnity and directors' and officers' liability)
- miscellaneous (e.g. personal accident).



## Internal Audit and Risk Management Attestation Statement for the 2017 – 2018 Financial Year for SAS Trustee Corporation

SAS Trustee Corporation (STC) Board Members are of the opinion that STC and its controlled entity, the SAS Trustee Corporate Staff Agency (Agency) has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

### Core Requirements

#### Risk Management Framework

|     |   |           |
|-----|---|-----------|
| 1.1 | The STC Board is ultimately responsible and accountable for risk management in STC and its controlled agency  | COMPLIANT |
| 1.2 | A risk management framework that is appropriate to STC has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009 | COMPLIANT |

#### Internal Audit Function

|     |  |           |
|-----|--|-----------|
| 2.1 | An internal audit function has been established and maintained   | COMPLIANT |
| 2.2 | The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing | COMPLIANT |
| 2.3 | The STC has an Internal Audit Charter that is consistent with the content of the 'model charter'   | COMPLIANT |

#### Audit and Risk Committee

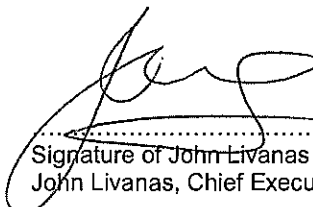
|     |  |           |
|-----|--|-----------|
| 3.1 | An independent Audit and Risk Committee with appropriate expertise has been established  | COMPLIANT |
| 3.2 | The Risk, Audit and Compliance Committee is an advisory committee providing assistance to the STC BOARD on STC governance processes, risk management and control frameworks, and its external accountability obligations | COMPLIANT |
| 3.3 | The STC Risk, Audit and Compliance Committee has a Charter that is consistent with the content of the 'model charter'  | COMPLIANT |


This ATTESTATION was executed on the 4<sup>th</sup> of October 2018, following a resolution of the STC Board on 4 October 2018.

The COMMON SEAL of the  
SAS Trustee Corporation was  
hereto affixed in the presence of:

)  
)  
)



  
Signature of John Livanas  
John Livanas, Chief Executive Officer

  
Signature of Witness  
Allan Parapuram, General Counsel and Company Secretary

## Privacy and use of member information

State Super complies with relevant legislation, including the Privacy and Personal Information Protection Act 1998 (NSW) (Privacy Act) and the Health Records and Information Privacy Act 2002 (NSW) (HRIP Act).

State Super has a Privacy Management Plan that is administered with the assistance of Mercer. State Super has also developed a Privacy Statement that:

- details how State Super complies with the requirements of the Privacy Act and the HRIP Act;
- explains how State Super deals with members' personal and health information that may be collected and used in the course of administering the schemes; and
- summarises the circumstances where State Super may provide a members' personal and health information to third parties.

State Super endeavours to ensure its records of members' personal details are accurate. Members may contact Mercer to change their personal or health details. State Super takes steps to ensure there is no unauthorised use or disclosure of members' information. The Privacy Statement is available on request and from the State Super website at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au).

## Public interest disclosures

State Super has a Public Interest Disclosures Policy which ensures that State Super's processes are compliant with the Public Interest Disclosures Act 1994 (NSW) (PID Act). State Super facilitates staff awareness of its Public Interest Disclosures Policy and the relevant protections under the PID Act in a number of ways, including providing staff access to the Policy and conducting staff awareness training.

There were no public interest disclosures made to State Super during the 2017-18 year nor were there any finalised during that year.

## Significant judicial decisions

The High Court on 20 October 2017 granted State Super special leave to appeal against the decision of the NSW Court of Appeal (by majority 2-1) in the matter of Miles v SAS Trustee Corporation. The Court of Appeal had reversed a decision of the District Court to reject Mr Miles' application for an increase to his Police Superannuation Scheme (PSS) hurt on duty (HOD) pension. State Super's appeal to the High Court was heard on 16 August 2018, with the Court reserving its decision.

The decision of the Court of Appeal may, if it stands after appeal, have an impact on the number of PSS HOD pensioners who can successfully apply for an increase to their pension based on incapacity for work outside the police force. State Super, in its role as trustee of PSS, will communicate with all relevant stakeholders, including the NSW Government, when it considers any ramifications after the High Court hands down its decision, expected in late 2018.

The NSW Court of Appeal on 10 April 2018 decided, in the matter of SAS Trustee Corporation v Rossetti, that the Supreme Court did not have jurisdiction to hear an appeal from an aggrieved applicant for a certificate of incapacity under s.10B of the Police Regulation (Superannuation Act) 1906 (NSW) (PRS Act). Prior to this decision and going back for at least 30 years, appeals by such aggrieved applicants had been heard in the NSW Industrial Court of NSW and, since that Court was dissolved in December 2016, in the Supreme Court of NSW.

The decision of the Court of Appeal means that an applicant aggrieved by any decision of State Super or its delegate in a matter arising from an application for a certificate of incapacity under s.10B of the PRS Act may apply, within 6 months of being notified of the decision, to the District Court for a determination in relation to that decision.

## Consumer disputes and appeals

The superannuation schemes administered by State Super provide members with a two-stage system of review of certain decisions made by a delegate of State Super that they wish to dispute. The first stage is the State Super Member Services Committee, while the second stage is an appeal to the Supreme Court of NSW.

At 30 June 2017, a total of 15 disputes were pending. During the year ending 30 June 2018, 11 new disputes were lodged and 10 disputes were determined by the Member Services Committee (including disputes carried over from the previous year). 9 disputes concerned applications for certificates of incapacity from PSS members (which, after the above-mentioned decision of the Court of Appeal in *SAS Trustee Corporation v Rossetti*, are no longer disputes which can be determined by the Member Services Committee, but instead must be 'appealed' directly to the District Court within 6 months of the notification of the original decision). Each of these 9 matters will be reviewed by State Super to determine the appropriate course of action, given that the timeframe for applying to the District Court has expired not due to any fault or omission of the claimant.

|   |     |
|---|-----|
| Disputes on hand at 30 June 2017                          | 15  |
| Disputes lodged in 2017–18                                | 11  |
| Disputes determined in 2017–18                            |     |
| Confirmation of State Super delegate's decision           | (6) |
| Delegate's decision set aside and new decision made       | (3) |
| Settled   | 0   |
| Dispute's withdrawn or discontinued in 2017–18            | (1) |
| Disputes unable to be determined due to Rossetti decision | (9) |
| Disputes on hand at 30 June 2018                          | 7   |

**Appeals to the Supreme Court** from the State Super Member Services Committee's determinations of disputes (including appeals made prior to the above-mentioned decision of the Court of Appeal in *SAS Trustee Corporation v Rossetti* which held that the Supreme Court lacked jurisdiction to hear appeals in certain types of matters) resulted in outcomes in the 2017-18 year as set out below:

|   |    |
|---|----|
| Decided in favour of State Super              | 1* |
| Decided in favour of the member/beneficiaries | -  |
| Withdrawn or discontinued                     | 1  |
| Settled                                       | 3  |
| Transferred to District Court                 | 3* |

\* The case decided in State Super's favour was *SAS Trustee Corporation v Rossetti*, which resulted in the Court of Appeal upholding State Super's appeal and setting aside the Supreme Court decision in favour of a former PSS member, on the grounds (as mentioned above) that the Supreme Court did not have jurisdiction to hear the appeal by the former member from the Member Services Committee's determination of his dispute. However, the effect of this Court of Appeal decision was that 3 other matters on foot at the time in the Supreme Court, each involving an appeal by a former PSS member from the Member Services Committee's determination of a dispute, could not proceed in the Supreme Court but could be transferred to the District Court.

### District Court

The PRS Act provides for a right to apply directly to the District Court of NSW (with no requirement to first lodge a dispute with State Super) from decisions of:

- the Police Superannuation Advisory Committee (PSAC) as the delegate of State Super about applications by PSS HOD pensioners for increases to their pensions;

- PSAC or the CEO of State Super, as delegates of State Super, for a certificate of incapacity under s.10B of the PRS Act; and
- Allianz Insurance Australia Limited as the delegate of State Super about claims by PSS members, former members or dependants of deceased members or former members for lump sum payments for hurt on duty-related permanent impairments or for reimbursement of hurt on duty-related medical expenses.

These applications to the District Court resulted in outcomes in the 2017-18 year as set out below:

|   | PSAC | Allianz |
|---|------|---------|
| Decided in favour of State Super              | -    | -       |
| Decided in favour of the member/beneficiaries | -    | -       |
| Withdrawn or discontinued                     | 2    | -       |
| Settled                                       | 7    | 2       |

As mentioned above, in 2017-18 there was a case (Miles v SAS Trustee Corporation) where State Super was granted special leave to appeal to the High Court from the decision of the NSW Court of Appeal that reversed a decision in State Super's favour in the District Court about a PSS HOD matter. This case is not included in the table above, because the relevant District Court decision occurred prior to 2017-18.

## Access to information

State Super is, for the purposes of the Government Information (Public Access) Act 2009 (GIPA Act), an agency. As an agency, State Super is covered by the GIPA Act and must release “government information” unless there is an overriding public interest against disclosure. Government information is anything contained in a record held by an agency or held on behalf of an agency by a private sector entity, to which the agency has right of access.

State Super holds (either itself or via a service provider) information that is classed as “government information” about:

- itself as a corporation – such as information relating to its business operations, financial situation and dealings, staff and structure and property and equipment; and
- the superannuation schemes that it is trustee of, including a superannuation membership file for each of the members of the schemes.

It must be noted that information about the investment functions performed by State Super is excluded information for the purposes of the GIPA Act.

### Open access information about State Super

The GIPA Act obliges an agency to release “open access information” (as defined in the GIPA Act). State Super’s “open access information” is as set out on the website [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au) (under “Corporate governance” and then “Access to information”).

State Super must review, at least annually, the types of government information it holds that should in the public interest be made publicly available and that can be made publicly available without imposing unreasonable additional costs on itself. In 2017-18 State Super reviewed the information it makes publicly available and accessible via its website. The result of the review was that State Super believes that it has made publicly available all the government information it holds that should, in the public interest, be available and that can be made available without imposing unreasonable costs on itself.

### Access to information about State Super

Information about State Super, including its open access information, is available from the website [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au) (under “Corporate governance” and then “Access to information”). The website also contains State Super’s Agency Information Guide, which amongst other things describes the types of government information held by State Super, the types of information that is available to the public and how to access that information.

Access to some government information about State Super may be able to be released after an informal application for the information, and such an application can be made by contacting State Super’s Information Access Officer on 9238 5906. However, State Super may impose reasonable conditions on the release of information informally, or it may require an applicant to make a formal application for access under the GIPA Act.

A formal application under the GIPA Act may be required where the requested information is of a type that is costly to make available or where the decision about access may have to be formally made because of the nature of the information sought. A formal application can be made using the form available from the website [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au) (under “Corporate governance” and then “Access to information”). The completed form should be addressed to State Super at:

Information Access Officer  
SAS Trustee Corporation  
PO Box N259  
Grosvenor Place NSW 1220

A formal application under the GIPA Act requires an application fee of \$30 and State Super also has the right to charge a processing fee of \$30 per hour in addition to the application fee. Processing charges may be reduced by 50% for a pensioner holding a health care card, a full-time student or where an applicant is suffering financial hardship.

During the 2017-18 year, State Super directly received one (1) application for access to information under the GIPA Act. This application is included below and in Appendix 1 in the statistics relating to applications made to State Super for access to information under the GIPA Act in 2017-18 year.

### Member access to their superannuation file

Any member of a State Super scheme can apply for access under the GIPA Act for part or all the information held in the superannuation membership file that the scheme administrator (Mercer) maintains, on behalf of State Super, in relation to their scheme membership.

Up until 7 December 2016, the scheme administrator, Superannuation Administration Corporation trading as Pillar Administration (Pillar), was a NSW State owned corporation and as such was itself an agency for the purposes of the

GIPA Act. Applications by members of State Super schemes for access to their superannuation membership files were made to Pillar on forms provided by Pillar. The applications were processed by Pillar on the basis that Pillar held the files, which are classed as government information for the purposes of the GIPA Act, and as an agency covered by the GIPA Act Pillar was required to release government information upon receipt of a valid formal application for access to information, subject to any applicable exceptions under the GIPA Act. Pillar recorded statistical information about applications for access to information under the GIPA Act that it received and reported those in its Annual Report.

However, on 7 December 2016 Pillar was sold to Mercer Australia, and its name was later changed to Mercer Administration Services (Australia) Pty Ltd (Mercer). From that date on, as Mercer is not an agency covered by the GIPA Act it is not required, in its own right, to process applications by State Super scheme members for access to their superannuation membership files. However, Mercer still has contractual obligations to State Super to process these applications and has also been delegated by State Super the responsibility for handling the processing of certain functions of State Super relating to applications for access to information made by members of the State Super schemes. Since 7 December 2016 Mercer has processed these applications on that basis i.e. as authorised delegate for and on behalf of State Super, which is the owner of the government information held by Mercer that comprises the members' superannuation files.

A formal application under the GIPA Act is required for a member of a State Super scheme to access part or all the information in their superannuation membership file held by Mercer. The forms for such an application are available on the State Super website under "Corporate governance" and then "Access to information" or by calling a Mercer Information Access Officer on 1800 779 068. The applications are made to Mercer, who process them as a delegate for and on behalf of State Super. An application fee of \$30 must be paid to Mercer and processing fees of \$30 an hour may apply (although the first 20 hours of processing is free of charge). Processing charges may be reduced by 50% for a pensioner holding a health care card, a full-time student or where an applicant is suffering financial hardship.

A formal application, once completed on the appropriate form, should be addressed to Mercer at:

Information Access Co-ordinator

Mercer Administration Services

PO Box 1229

Wollongong NSW 2500

### **Applications to State Super (either directly or via Mercer) under the GIPA Act for access to information**

During the 2017-18 year, there were:

- 288 formal applications for information (under the GIPA Act) received by or on behalf of State Super, (including withdrawn applications, but excluding invalid applications);
- 302 applications processed; and
- 24 applications refused, in whole or in part, because the application was for information for which there is a conclusive presumption of overriding public against disclosure (categories referred to in Schedule 1 of the GIPA Act). Of those 24 applications, all were only refused in part.

There were 10 applications still in progress as at 30 June 2018 (there had been 24 applications in progress at 1 July 2017).

Refer to Appendix 1 for statistical information in the prescribed format about applications to State Super (either directly or via Mercer) under the GIPA Act for access to information in the 2017-18 year.

## Relevant legislative changes

There were no changes to State Super's constituent legislation or that of the State Super superannuation schemes in the 2017-18 year other than as set out below:

| Principal Act or regulation                                      | Description                    |
|--|--------------------------------|
| Superannuation Administration Act 1996 (NSW)                     | No change                      |
| Police Regulation (Superannuation) Act 1906 (NSW)                | Minor or incidental amendments |
| Police Association Employees (Superannuation) Act 1969 (NSW)     | Minor or incidental amendments |
| State Authorities Superannuation Act 1987 (NSW)                  | Minor or incidental amendments |
| State Authorities Non-contributory Superannuation Act 1987 (NSW) | Minor or incidental amendments |
| Superannuation Act 1916 (NSW)                                    | Minor or incidental amendments |

## Human resource management

The SAS Trustee Corporation Conditions of Employment Determination 2016 (Determination) was extended for a further 12 months to 30 June 2019 and this instrument will continue to govern staff wages and employment conditions until then. State Super is progressing requirements towards finalising an industrial instrument that will replace the Determination on a permanent basis. Key employee services including salary administration, reporting and recruitment continue to be provided by Mercer.

### Salary movement

Salary movement for State Super's non-executive staff was reviewed as part of the NSW Government's Public Sector Wages Policy 2011 and an increase of 2.5% was awarded, from 1 July 2018. The Statutory and Other Offices Remuneration Tribunal similarly provided for a 2.5% increase to the remuneration of Senior Executives, effective 1 July 2018.

### Employee remuneration levels

The table below shows remuneration levels and number of staff by gender and salary range as at 30 June 2018. Salary ranges for 2018 are in accordance with the Determination.

| Salary range         | 2016       |            |             | Salary range          | 2017       |            |             | Salary range          | 2018       |            |             |
|----------------------|------------|------------|-------------|-----------------------|------------|------------|-------------|-----------------------|------------|------------|-------------|
|                      | Men        | Women      | Total staff |                       | Men        | Women      | Total staff |                       | Men        | Women      | Total staff |
| < \$39,670           | 0          | 0          | 0           |                       |            |            |             |                       |            |            |             |
| \$39,670 - \$52,103  | 0          | 0          | 0           |                       |            |            |             |                       |            |            |             |
| \$52,104 - \$58,248  | 0          | 0          | 0           | \$61,500 - \$87,125   | 0          | 2          | 2           | \$63,037 - \$89,303   |            | 4          | 4           |
| \$58,249 - \$73,708  | 0          | 1          | 1           | \$87,126 - \$110,700  | 1          | 0          | 1           | \$89,304 - \$113,467  |            |            | 0           |
| \$73,709 - \$95,318  | 0          | 1          | 1           | \$110,701 - \$122,488 | 1          | 1          | 2           | \$113,468 - \$125,550 |            | 1          | 1           |
| \$95,319 - \$119,149 | 4          | 5          | 9           | \$122,489 - \$143,500 | 1          | 2          | 3           | \$125,551 - \$147,087 |            | 3          | 3           |
| > \$119,149          | 18         | 13         | 31          | \$143,501 - \$168,537 | 8          | 7          | 15          | \$147,088 - \$172,750 | 10         | 9          | 19          |
| <b>Totals</b>        | <b>22</b>  | <b>20</b>  | <b>42</b>   |                       | <b>11</b>  | <b>12</b>  | <b>23</b>   |                       | <b>10</b>  | <b>18</b>  | <b>28</b>   |
|                      | <b>52%</b> | <b>48%</b> |             |                       | <b>48%</b> | <b>52%</b> |             |                       | <b>36%</b> | <b>64%</b> |             |



## Executive remuneration levels

The table below shows remuneration levels and the number of senior executive staff by salary band and gender at 30 June 2018. 30.6% of State Super's employee-related expenditure in 2018 related to senior executives, compared with 29.1% in 2017.

| Band* and salary range                          | 2016 |       |       |                      | 2017 |       |       |                      | 2018 |       |       |                      |
|---|------|-------|-------|----------------------|------|-------|-------|----------------------|------|-------|-------|----------------------|
|   | Men  | Women | Total | Average Remuneration | Men  | Women | Total | Average Remuneration | Men  | Women | Total | Average Remuneration |
| Band 4 (Secretary) \$463,551-\$535,500          | 0    | 0     | 0     | N/A                  | 0    | 0     | 0     | N/A                  | 0    | 0     | 0     | N/A                  |
| Band 3 (Deputy Secretary) \$328,901-\$463,550   | 0    | 3     | 3     | \$399,750            | 0    | 0     | 0     | N/A                  | 0    | 0     | 0     | N/A                  |
| Band 2 (Executive Director) \$261,451-\$328,900 | 1    | 2     | 3     | \$262,500            | 3    | 0     | 3     | \$302,371            | 3    | 0     | 3     | \$309,930            |
| Band 1 (Director) \$183,300-\$261,450           | 0    | 0     | 0     | N/A                  | 2    | 2     | 4     | \$247,025            | 2    | 2     | 4     | \$253,208            |
|   | 1    | 5     | 6     |                      | 5    | 2     | 7     |                      | 5    | 2     | 7     |                      |

## Industrial relations

Industrial coverage for State Super and its staff is provided by Public Sector Industrial Relations. The SAS Trustee Corporation Conditions of Employment Determination 2016 was extended for a further 12 months to 30 June 2019, during which time no award will apply. It is noted that during the reporting period no time was lost through industrial action.

## Training and development

State Super recognises the importance of professional development in building capability, enhancing performance and ensuring the organisation is up-to-date with changes and best practice within the superannuation industry.

Staff are encouraged to participate in a range of technical training, coaching, seminars, courses and conferences as identified in their performance development plans and reviewed as part of the regular performance discussions with their managers.

## Work health and safety

Employee wellbeing has been a key focus for the duration of the reporting period. State Super re-developed its Health and Safety Plan into an integrated Work Health and Safety Management System (WHSMS) which the board approved in December 2017. The WHSMS includes updated health and safety policies, procedures and practices and its implementation is supported by training in relevant aspects of work health and safety, including legislative obligations, emergency threat management and emergency response training. Other initiatives include ergonomic awareness and assessments and on-site flu vaccinations, all of which were well attended.

The WHSMS, its implementation and program of works is led by a WHS Committee and progress and program updates are reported to the Board on a monthly basis. The success of State Super's WHSMS is highlighted in the 2018 Employee Matters Survey which found that 92% of staff know who to address a workplace health and safety issue.

During the reporting period, State Super had no work-related injuries, illnesses or prosecutions under the Work Health and Safety Act 2011.

**Table A: Trends in the representation of workforce diversity groups<sup>1</sup>**

| Workforce diversity group                                  | Benchmark or target | % of total staff <sup>2</sup> |       |       |
|--|---------------------|-------------------------------|-------|-------|
|  |                     | 2016                          | 2017  | 2018  |
| Women  | 50%                 | 55.90                         | 47.60 | 53.85 |
| Aboriginal people and Torres Strait Islanders              | 2.6%                | 0.00                          | 0.00  | 0.00  |
| People whose first language is not English                 | 19%                 | 33.70                         | 28.60 | 25.64 |
| People with a disability                                   | N/A <sup>3</sup>    | 2.90                          | 2.90  | 0/00  |
| People with a disability requiring work-related adjustment |                     | 2.90                          | 2.90  | 0.00  |

**Table B: Trends in the distribution of workforce diversity**

| Workforce diversity group                                  | Distribution Index <sup>4</sup> |      |      |      |
|--|---------------------------------|------|------|------|
|  | Benchmark or target             | 2016 | 2017 | 2018 |
| Women  | 100%                            | N/A  | N/A  | N/A  |
| Aboriginal and Torres Strait Islander people               | 100%                            | N/A  | N/A  | N/A  |
| People whose first language was not English                | 100%                            | N/A  | N/A  | N/A  |
| People with a disability                                   | 100%                            | N/A  | N/A  | N/A  |
| People with a disability requiring work-related adjustment | 100%                            | N/A  | N/A  | N/A  |

<sup>1</sup> Staff numbers at 30 June 2018.

<sup>2</sup> Excludes casual employees.

<sup>3</sup> Per cent employment levels are reported but a benchmark level has not been set.

<sup>4</sup> A distribution index of 100 indicates that the centre of the distribution of the workforce diversity group across salary levels is equivalent to that of other staff. Values of less than 100 mean that the workforce diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the workforce diversity group is less concentrated at lower salary levels. The distribution index is not calculated where the workforce diversity group or non-workforce diversity group numbers are less than 20.

# Budgets

## State Super budget for the year ended 30 June 2018 and 2019

|  | Budget FY 2019<br>\$'000 | Budget FY 2018<br>\$'000 | Actual FY 2018<br>\$'000 |
|--|--------------------------|--------------------------|--------------------------|
| <b>Income (reimbursement)</b>                              |                          |                          |                          |
| Income (reimbursement)                                     | 43,666                   | 41,520                   | 36,621                   |
| <b>Expenditure</b>   |                          |                          |                          |
| <b>Member administration costs</b>                         | <b>24,690</b>            | <b>26,066</b>            | <b>23,064</b>            |
| <b>Executive and Board</b>                                 |                          |                          |                          |
| Board expenses   | 875                      | 815                      | 671                      |
| Staff related costs  | 6,325                    | 6,171                    | 4,816                    |
| Accommodation/premises costs                               | 1,331                    | 1,038                    | 1,084                    |
| Other administration expenses                              | 6,037                    | 5,656                    | 5,822                    |
| Regulatory, governance and process improvement initiatives | 4,408                    | 1,774                    | 1,164                    |
| <b>Total Executive and Board expenses</b>                  | <b>18,976</b>            | <b>15,454</b>            | <b>13,557</b>            |
| <b>Total expenditure</b>                                   | <b>43,666</b>            | <b>41,520</b>            | <b>36,621</b>            |
| <b>Net income/loss</b>                                     | <b>-</b>                 | <b>-</b>                 | <b>-</b>                 |

## Expenditure disclosure information

### Overseas visits

There were no overseas visits made by employees of STC during the 2017–18 financial year where the airline travel was funded by State Super.

### Payments to consultants for strategic advice

| Area               | Project  | Consultant  | Total Cost<br>\$ |
|--------------------|--|---|------------------|
| <b>Pooled Fund</b> |  |   |                  |
| Investments        | Review of STC Responsible Investment Framework     | Regnan - Governance Research and Engagement Pty Ltd | \$90,000         |
| <b>Total</b>       |  |   | <b>\$90,000</b>  |
| <b>STC</b>         |  |   |                  |
| Vendor Management  | IT advisory for Administration Platform Transition | PWC Consulting (Australia) Pty Ltd                  | \$166,480        |
| <b>Total</b>       |  |   | <b>\$166,480</b> |

### Account payment performance

#### Accounts paid on time within each quarter

| Measure   | Sep-17       | Dec-17       | Mar-18       | Jun-18      |
|---|--------------|--------------|--------------|-------------|
| <b>All suppliers</b>  |              |              |              |             |
| Number of accounts due for payment  | 390          | 377          | 346          | 463         |
| Number of accounts paid on time   | 390          | 377          | 346          | 463         |
| Actual percentage of accounts paid on time (based on number of accounts)                | 100%         | 100%         | 100%         | 100%        |
| Dollar amount of accounts due for payment   | \$16,830,000 | \$10,275,000 | \$10,271,000 | \$8,540,000 |
| Dollar amount of accounts paid on time  | \$16,830,000 | \$10,275,000 | \$10,271,000 | \$8,540,000 |
| Actual percentage of accounts paid on time (based on \$)                                | 100%         | 100%         | 100%         | 100%        |
| Number of payments for interest on overdue accounts                                     | 0            | 0            | 0            | 0           |
| Interest paid on overdue accounts   | 0            | 0            | 0            | 0           |
| <b>Small business suppliers</b>   |              |              |              |             |
| Number of accounts due for payment to small businesses                                  | 22           | 30           | 25           | 29          |
| Number of accounts due to small businesses paid on time                                 | 22           | 30           | 25           | 29          |
| Actual percentage of small business accounts paid on time (based on number of accounts) | 100%         | 100%         | 100%         | 100%        |
| Dollar amount of accounts due for payment to small businesses                           | \$27,000     | \$39,000     | \$46,000     | \$42,000    |
| Dollar amount of accounts due to small businesses paid on time                          | \$27,000     | \$39,000     | \$46,000     | \$42,000    |
| Actual percentage of small business accounts paid on time (based on \$)                 | 100%         | 100%         | 100%         | 100%        |
| Number of payments to small business for interest on overdue accounts                   | 0            | 0            | 0            | 0           |
| Interest paid to small businesses on overdue accounts                                   | 0            | 0            | 0            | 0           |

## Land disposal

No land disposals were undertaken during the reporting period.

## Credit card use

State Super's policy for the use of corporate credit cards by executive staff is in accordance with the Treasury Policy and Guidelines Paper TPP 17-09. No irregularities in the use of corporate credit cards were recorded during the year.

## Grants to non-government community organisations

No grants to non-government community organisations were made during the reporting period.

## Annual report production details

The production of this report, including its writing, editing, typesetting and printing, was undertaken internally and no external costs were incurred. This report is available online at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au) in PDF format. Hard copies can be provided upon request.

## Digital information and security policy attestation

I, John Livanas of State Super, am of the opinion that State Super had an Information Security Management System in place during the 2017-18 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy. A new IT Security Policy was adopted by State Super in June 2017.

The controls in place to mitigate identified risks to the digital information and digital information systems of State Super are adequate.

There is no agency under the control of State Super which is required to develop an independent Information Security Management System in accordance with the NSW Government Digital Information Security Policy.

State Super has maintained certified compliance with ISO 27001 Information technology - Security techniques - Information security management systems - Requirements by an Accredited Third Party during the 2017-18 financial year.

## Controlled entities

State Super has one controlled entity – SAS Trustee Corporate Staff Agency. The principal activity and objective of the SAS Trustee Corporate Staff Agency is to provide personnel services to State Super and the SAS Trustee Corporation Pooled Fund. The audited financial report of the SAS Trustee Corporate Staff Agency is included in this report.

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## Part E

# Five-year membership and financial statistical tables

Five years at a glance – to 30 June 2018

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## Five years at a glance – to 30 June 2018

| Member statistics                     | 2014          | 2015          | 2016          | 2017          | 2018          |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Active members – SASS                 | 31,548        | 28,669        | 26,076        | 23,394        | 21,038        |
| Active members – SSS                  | 8,902         | 7,114         | 5,653         | 4,219         | 3,080         |
| Active members – PSS                  | 1,388         | 1,281         | 1,166         | 1,043         | 913           |
| <b>Total active members</b>           | <b>41,838</b> | <b>37,064</b> | <b>32,895</b> | <b>28,656</b> | <b>25,031</b> |
| Deferred benefit members – SASS       | 10,478        | 10,358        | 10,112        | 9,852         | 9,606         |
| Deferred benefit members – SSS        | 2,274         | 2,047         | 1,838         | 1,607         | 1,412         |
| Deferred benefit members – PSS        | 120           | 114           | 107           | 99            | 93            |
| <b>Total deferred benefit members</b> | <b>12,872</b> | <b>12,519</b> | <b>12,057</b> | <b>11,558</b> | <b>11,111</b> |
| Pension members – SASS                | 4,037         | 4,156         | 4,241         | 4,353         | 4,479         |
| Pension members – SSS                 | 52,317        | 53,452        | 54,230        | 54,934        | 55,403        |
| Pension members – PSS                 | 6,551         | 6,550         | 6,557         | 6,569         | 6,610         |
| <b>Total pension members</b>          | <b>62,905</b> | <b>64,158</b> | <b>65,028</b> | <b>65,856</b> | <b>66,492</b> |

| Gender ratios – active members | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------------|------|------|------|------|------|
| Females – SASS                 | 51%  | 51%  | 51%  | 50%  | 50%  |
| Males – SASS                   | 49%  | 49%  | 49%  | 50%  | 50%  |
| Females – SSS                  | 35%  | 36%  | 37%  | 39%  | 42%  |
| Males – SSS                    | 65%  | 64%  | 63%  | 61%  | 58%  |
| Females – PSS                  | 12%  | 12%  | 12%  | 13%  | 13%  |
| Males – PSS                    | 88%  | 88%  | 88%  | 87%  | 87%  |

| Contributions – \$ million       | 2014         | 2015         | 2016         | 2017         | 2018         |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Employer contributions           | 165          | 217          | 281          | 357          | 420          |
| Employee contributions           | 409          | 366          | 330          | 305          | 255          |
| Crown contributions              | 1,236        | 1,264        | 1,376        | 1,431        | 1,502        |
| <b>Total contributions</b>       | <b>1,810</b> | <b>1,847</b> | <b>1,987</b> | <b>2,093</b> | <b>2,177</b> |
| Benefits paid – \$ millions      | 4,456        | 4,436        | 4,529        | 4,825        | 4,794        |
| Net contributions – \$ millions  | (2,646)      | (2,589)      | (2,542)      | (2,732)      | (2,617)      |
| Investment revenue – \$ millions | 4,822        | 4,499        | 1,645        | 3,887        | 3,681        |



| Assets/liabilities*                 | 2014            | 2015            | 2016            | 2017            | 2018            |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Accrued benefits – SASS             | 14,232          | 14,521          | 14,436          | 14,597          | 14,693          |
| Net assets to pay benefits          | 12,063          | 12,719          | 12,688          | 13,358          | 12,950          |
| <b>Over (under) funding – SASS</b>  | <b>(2,169)</b>  | <b>(1,802)</b>  | <b>(1,748)</b>  | <b>(1,239)</b>  | <b>(1,743)</b>  |
| Accrued benefits – SSS              | 32,177          | 32,618          | 34,887          | 34,787          | 34,556          |
| Net assets to pay benefits          | 21,876          | 22,686          | 21,901          | 22,626          | 23,226          |
| <b>Over (under) funding – SSS</b>   | <b>(10,301)</b> | <b>(9,932)</b>  | <b>(12,986)</b> | <b>(12,161)</b> | <b>(11,330)</b> |
| Accrued benefits – PSS              | 7,010           | 7,034           | 7,373           | 7,402           | 7,445           |
| Net assets to pay benefits          | 4,399           | 4,591           | 4,501           | 4,661           | 4,900           |
| <b>Over (under) funding – PSS</b>   | <b>(2,611)</b>  | <b>(2,443)</b>  | <b>(2,872)</b>  | <b>(2,741)</b>  | <b>(2,545)</b>  |
| Accrued benefits – SANCS            | 2,485           | 2,382           | 2,425           | 2,367           | 2,293           |
| Net assets to pay benefits          | 1,911           | 1,991           | 1,949           | 1,499           | 1,945           |
| <b>Over (under) funding – SANCS</b> | <b>(574)</b>    | <b>(391)</b>    | <b>(476)</b>    | <b>(868)</b>    | <b>(348)</b>    |
| Total accrued benefits              | 55,904          | 56,555          | 59,121          | 59,153          | 58,987          |
| Total net assets to pay benefits    | 40,249          | 41,987          | 41,039          | 42,144          | 43,021          |
| <b>Over (under) funding – Total</b> | <b>(15,655)</b> | <b>(14,568)</b> | <b>(18,082)</b> | <b>(17,009)</b> | <b>(15,966)</b> |

\*Net asset figures above exclude Employer Sponsor Receivable

Employers are required by AASB119 Employee Benefits to report accrued benefits using a risk-free discount rate. This rate differs from the assumed earning rate used by the Fund actuary to calculate the accrued benefits set out in the table above. The risk-free rate results in a higher estimate of accrued benefits.

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## Part F

# Triennial Actuarial Valuation Report

The Triennial Actuarial Valuation of the State Super Pooled Fund and each of the individual schemes at 30 June 2018 was carried out by Catherine Nance FIAA, Janice Jones FIAA and Mike Clough FIA of PricewaterhouseCoopers Securities Ltd. A summary of this valuation is provided. A full version of the Actuarial Valuation Report will be made available on the State Super website, [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au).

# Triennial Actuarial Valuation as at 30 June 2018

## Introduction

As requested by the SAS Trustee Corporation (STC) we have carried out a triennial review as at 30 June 2018 to report on the operation and state of funding of the State Super Pooled Fund and its constituent Schemes:

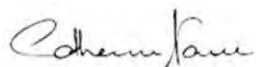
- the State Authorities Superannuation Scheme (SASS)
- the State Superannuation Scheme (SSS)
- the Police Superannuation Scheme (PSS)
- the State Authorities Non-contributory Superannuation Scheme (SANCS)

The previous report as at 30 June 2015, dated December 2015, was prepared by Richard Boyfield and Christopher Brown of Mercer Consulting (Australia) Pty Ltd.

Our advice to STC constitutes Prescribed Actuarial Advice as defined in the Code of Professional Conduct (the Code) issued by the Institute of Actuaries of Australia and our advice complies with the Code in this respect.

The figures in this report are calculated in accordance with the Australian Accounting Standards AASB1056 – Superannuation Entities, which replaced AAS25 from 1 July 2016.

This report together with the accompanying work, has been prepared in accordance with Professional Standards 400, 404 and 410 issued by the Institute of Actuaries of Australia.



Catherine Nance FIAA

Retirement Incomes and Asset Consulting  
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Mike Clough FIA

Retirement Incomes and Asset Consulting  
*Director*

## Funding position by Scheme at 30 June 2018

The total assets for the State Super Pooled Fund as at 30 June 2018 are \$43.0bn:

| Scheme                          | Assets                 |                           |                        |                 |
|---------------------------------|------------------------|---------------------------|------------------------|-----------------|
|                                 | Employer Reserve (\$m) | Contributor Reserve (\$m) | Deferred Reserve (\$m) | Total (\$m)     |
| SASS                            | 5,625.0                | 4,784.3                   | 2,533.0                | 12,942.3        |
| SSS                             | 22,062.7               | 1,163.8                   | -                      | 23,226.5        |
| PSS                             | 4,565.3                | 335.1                     | -                      | 4,900.4         |
| SANCS                           | 1,311.7 <sup>2</sup>   | 94.2 <sup>2</sup>         | 539.1                  | 1,945.0         |
| <b>Total Assets<sup>1</sup></b> | <b>33,564.7</b>        | <b>6,377.4</b>            | <b>3,072.1</b>         | <b>43,014.2</b> |

<sup>1</sup> Total State Super Pooled Fund assets of \$43,014.2m are based on the total net assets from the audited draft financial statements (\$45,566m), less the allowance for the Employer Sponsor Receivable which relates to the PSS deficiency (\$2,545m) and the SASS Additional Benefits Reserve (\$7.4m). These adjustments are made for consistency with the liabilities. The SASS Additional Benefit Reserve is a self-insurance arrangement to cover the member's proportion of the SASS Additional Benefits and this is subject to a further actuarial investigation.

<sup>2</sup> We have adjusted the presentation of the assets above by moving the SANCS Other Accounts (estimated to be \$45.9m) from the SANCS employer reserves to the SANCS member reserves as they relate to accumulation-style benefits and do not count towards the funding of employer past service liabilities.

The total past service liabilities as at 30 June 2018 are \$59.0bn. This is made up of \$49.5bn employer past service liabilities, \$6.4bn contributor reserves and \$3.1bn deferred reserves:

| Scheme                                | Past Service Liabilities (Accrued Benefits) |                           |                        |                 |
|---------------------------------------|---|---------------------------|------------------------|-----------------|
|                                       | Employer (\$m)                              | Contributor Reserve (\$m) | Deferred Reserve (\$m) | Total (\$m)     |
| SASS                                  | 7,375.8                                     | 4,784.3                   | 2,533.0                | 14,693.1        |
| SSS                                   | 33,391.8                                    | 1,163.8                   | -                      | 34,555.6        |
| PSS                                   | 7,110.1                                     | 335.1                     | -                      | 7,445.2         |
| SANCS                                 | 1,660.1                                     | 94.2                      | 539.1                  | 2,293.4         |
| <b>Total Past Service Liabilities</b> | <b>49,537.8</b>                             | <b>6,377.4</b>            | <b>3,072.1</b>         | <b>58,987.3</b> |

The employer past service liabilities by Scheme for each type of membership are as follows:

| Scheme                                | Employer Past Service Liabilities (Accrued Benefits) |                |                  |                 |
|---------------------------------------|--|----------------|------------------|-----------------|
|                                       | Contributors (\$m)                                   | Deferred (\$m) | Pensioners (\$m) | Total (\$m)     |
| SASS                                  | 5,980.0  | -              | 1,395.7          | 7,375.8         |
| SSS                                   | 1,418.2  | 249.1          | 31,724.5         | 33,391.8        |
| PSS                                   | 933.8  | 14.4           | 6,161.9          | 7,110.1         |
| SANCS                                 | 1,660.1  | -              | -                | 1,660.1         |
| <b>Total Past Service Liabilities</b> | <b>9,992.2</b>                                       | <b>263.5</b>   | <b>39,282.1</b>  | <b>49,537.8</b> |

The Scheme-level assets and liabilities for the employer reserve are compared in the table below, at both 30 June 2018 and 30 June 2015 (the date of the previous triennial review):

| Scheme       | 30 June 2018                                 |                             |  |                       | 30 June 2015                                 |                             |  |                       |
|--------------|--|-----------------------------|--|-----------------------|--|-----------------------------|--|-----------------------|
|              | Employer Past Service Liabilities (\$m)<br>A | Employer Reserve (\$m)<br>B | Employer Unfunded Liabilities (\$m)<br>B-A | Asset coverage<br>B/A | Employer Past Service Liabilities (\$m)<br>A | Employer Reserve (\$m)<br>B | Employer Unfunded Liabilities (\$m)<br>B-A | Asset coverage<br>B/A |
| SASS         | 7,375.8                                      | 5,625.0                     | (1,750.8)                                  | 76%                   | 7,562.9                                      | 5,691.9                     | (1,871.0)                                  | 75%                   |
| SSS          | 33,391.8                                     | 22,062.7                    | (11,329.1)                                 | 66%                   | 32,386.1                                     | 20,353.4                    | (12,032.7)                                 | 63%                   |
| PSS          | 7,110.1                                      | 4,565.3                     | (2,544.8)                                  | 64%                   | 6,950.6                                      | 4,231.4                     | (2,719.2)                                  | 61%                   |
| SANCS        | 1,660.1                                      | 1,311.7                     | (348.4)                                    | 79%                   | 1,990.9                                      | 1,487.7                     | (503.2)                                    | 75%                   |
| <b>Total</b> | <b>49,537.8</b>                              | <b>33,564.7</b>             | <b>(15,973.1)</b>                          | <b>68%</b>            | <b>48,890.5</b>                              | <b>31,764.4</b>             | <b>(17,126.1)</b>                          | <b>65%</b>            |

The asset cover for employer past service liabilities has improved from 65% at 30 June 2015, to 68% at 30 June 2018.

The main reason for the improvement has been the payment of \$5.4bn employer contributions which is in excess of the cost of new benefits accrued over the period and has improved the funding by \$3.7bn. This has been partially offset by a \$3.4bn deterioration in the employer unfunded liabilities as a result of interest at a rate of 6.8% p.a. (previous Triennial investment return assumption) being added to the 2015 unfunded liabilities to bring them to today's dollars.

A more detailed reconciliation of the movement in unfunded liabilities from 30 June 2015 to 30 June 2018 is set out in a later section.

## Funding position by Sector

The funding position results have been repeated below by sector:

| Sector                                | Employer Past Service Liabilities (Accrued Benefits) |                |                  |                 |
|---------------------------------------|--|----------------|------------------|-----------------|
|                                       | Contributors (\$m)                                   | Deferred (\$m) | Pensioners (\$m) | Total (\$m)     |
| General Government                    | 8,236.2  | 207.8          | 34,143.0         | 42,587.0        |
| Universities                          | 323.9  | 24.5           | 3,191.4          | 3,539.8         |
| PTEs/Other <sup>1</sup>               | 1,432.1  | 31.3           | 1,947.7          | 3,411.1         |
| <b>Total Past Service Liabilities</b> | <b>9,992.2</b>                                       | <b>263.5</b>   | <b>39,282.1</b>  | <b>49,537.8</b> |

The sector-level assets and liabilities for the employer reserve are compared in the table below, at both 30 June 2018 and 30 June 2015 (the date of the previous triennial review):

| Sector                  | 30 June 2018                                 |  |  |                       | 30 June 2015                                 |                             |  |                       |
|-------------------------|--|--|--|-----------------------|--|-----------------------------|--|-----------------------|
|                         | Employer Past Service Liabilities (\$m)<br>A | Employer Reserve (\$m) <sup>3</sup><br>B | Employer Unfunded Liabilities (\$m)<br>B-A | Asset coverage<br>B/A | Employer Past Service Liabilities (\$m)<br>A | Employer Reserve (\$m)<br>B | Employer Unfunded Liabilities (\$m)<br>B-A | Asset coverage<br>B/A |
| General Government      | 42,587.0                                     | 29,607.6                                 | (12,979.3)                                 | 70%                   | 41,746.7                                     | 27,627.4                    | (14,119.3)                                 | 66%                   |
| Universities            | 3,539.8                                      | 544.3                                    | (2,995.5)                                  | 15%                   | 3,736.4                                      | 828.2                       | (2,908.3)                                  | 22%                   |
| PTEs/Other <sup>1</sup> | 3,411.1                                      | 3,412.8                                  | 1.7  | 100%                  | 3,407.4                                      | 3,308.8                     | (98.6)                                     | 97%                   |
| <b>Total</b>            | <b>49,537.8</b>                              | <b>33,564.7</b>                          | <b>(15,973.1)</b>                          | <b>68%</b>            | <b>48,890.5</b>                              | <b>31,764.4</b>             | <b>(17,126.1)</b>                          | <b>65%</b>            |

Notes relating to both tables in this section:

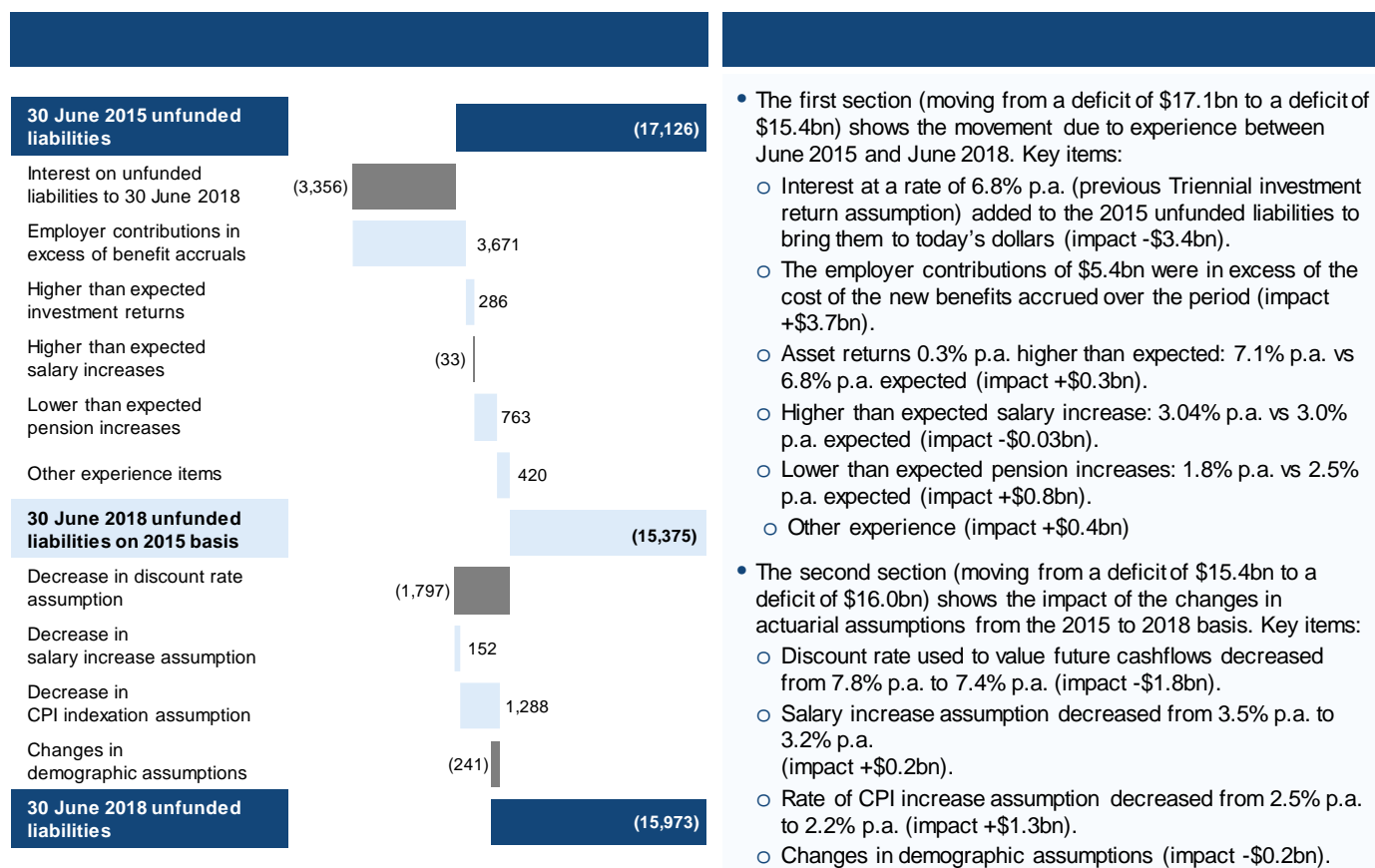
<sup>1</sup> Public Trading Enterprises, Public Financial Corporations and Other employers Sector (PTEs/Other)

<sup>2</sup> All deferred reserves have been included under General Government, consistent with treatment in the 2015 Triennial Review

<sup>3</sup> The asset splits by sector have been estimated by taking the total assets from the audited draft financial statements and apportioning these in line with the asset splits taken from provisional asset data.

## Reconciliation of unfunded liabilities, from 30 June 2015 to 30 June 2018

The employer funding position has improved since 2015 by \$1.1bn from a \$17.1bn deficit to a \$16.0bn deficit:



The table below shows the same movement in employer unfunded liabilities, broken down by Scheme:

| Movement in Employer Unfunded Liabilities (\$m)        |                |                 |                |              |                 |
|--|----------------|-----------------|----------------|--------------|-----------------|
|  | SASS           | SSS             | PSS            | SANCS        | Total           |
| <b>30 June 2015 unfunded liabilities</b>               | <b>(1,871)</b> | <b>(12,033)</b> | <b>(2,719)</b> | <b>(503)</b> | <b>(17,126)</b> |
| Interest on unfunded liabilities to 30 June 2018       | (336)          | (2,388)         | (545)          | (87)         | <b>(3,356)</b>  |
| Employer contributions in excess of benefit accruals   | 693            | 2,290           | 468            | 220          | <b>3,671</b>    |
| Higher than expected investment returns                | 47             | 188             | 39             | 12           | <b>286</b>      |
| Higher than expected salary increases                  | 1              | (22)            | (10)           | (2)          | <b>(33)</b>     |
| Lower than expected pension increases                  | 23             | 615             | 125            | -            | <b>763</b>      |
| Other experience items                                 | (163)          | 365             | 183            | 35           | <b>420</b>      |
| <b>30 June 2018 unfunded liabilities on 2015 basis</b> | <b>(1,606)</b> | <b>(10,985)</b> | <b>(2,459)</b> | <b>(325)</b> | <b>(15,375)</b> |
| Decrease in discount rate assumption                   | (199)          | (1,232)         | (332)          | (34)         | <b>(1,797)</b>  |
| Decrease in salary increase assumption                 | 100            | 14              | 13             | 26           | <b>152</b>      |
| Decrease in CPI indexation assumption                  | 57             | 973             | 257            | -            | <b>1,288</b>    |
| Changes in demographic assumptions                     | (103)          | (99)            | (24)           | (15)         | <b>(241)</b>    |
| <b>30 June 2018 unfunded liabilities</b>               | <b>(1,751)</b> | <b>(11,329)</b> | <b>(2,545)</b> | <b>(348)</b> | <b>(15,973)</b> |

**Additional Scheme-level commentary on movements**

- The main explanations above apply across all schemes. We discuss below the three items shown in grey, for which we have further Scheme-level commentary.
- The salary increase experience by Scheme over the 3 years was as follows: SASS 3.0% p.a. actual; SSS 3.2% p.a. actual; PSS: 3.3% p.a. actual; and Total 3.04% p.a. actual (all compared to 3.0% p.a. expected).
- The main items reflected in the Other experience items are:
  - SASS – higher than expected retirements and take up of the pension and preservation options, together with lower than expected mortality experience over the period, resulting in increased liabilities.
  - SSS and PSS – higher than expected pension mortality experience over the period resulting in decreased liabilities.
- The main items reflected in the Changes in demographic assumptions are:
  - SASS – changes in assumed rates of retirement and assumed take up of pension and preservation options, in line with recent experience. This change also impacts the assumed timing of SANCS payments for SASS members.
  - All Schemes – small impact of continuing to apply the method of allowing for short-term pensioner mortality improvement factors for 6 years following the valuation (i.e. these are now applied until 2024 whereas for the 2015 valuation they were only applied until 2021). Long-term pensioner mortality improvement factors are applied after this. The impact of this is mainly seen for SSS and PSS since there are limited pension options in SASS and no pension options in SANCS.

## Recommended contribution rates

### General Government sector

"The Government remains committed to fully funding its superannuation liabilities by June 2030, consistent with the Fiscal Responsibility Act 2012. To achieve this, the Government's long-term funding program involves contributing \$1.6 billion in the 2018-19 financial year towards funding the liabilities, with this amount to increase at a rate of five per cent per annum until 2030." (Source: 2018-19 NSW State Budget - Budget Paper 1 - Chapter 7 - Managing the State's Assets and Liabilities)

The Government's long-term funding program is projected to result in a \$0.3bn surplus for the General Government sector at 30 June 2030. However it should be noted that there is significant variability in the projected funding level depending on unfolding experience (e.g. investment returns). We recommend that the current Crown funding plan is maintained and that STC continue to review the funding position annually and adjust as necessary.

Non-Crown General Government Sector employers are assumed to continue to contribute at recent levels of contributions.

Individual funding plans for Non-Crown General Government Sector employers were reviewed as at 30 June 2018 and recommendations were provided separately in October 2018.

### Universities

The Commonwealth and NSW Governments entered into a Memorandum of Understanding (MoU) in December 2014 to provide financial assistance for the unfunded superannuation liabilities of the NSW Universities.

Under the agreement the Commonwealth and NSW Governments have agreed to assist the universities with their unfunded superannuation liabilities through the provision of funds on a 78/22 per cent basis. The universities will continue to contribute at their current rate of 17% of salaries per annum and further additional contributions in respect of 'Excess salaries' as set out in the MoU.

The Commonwealth and NSW Governments will make payments to the Fund on a pay-as-you-go basis with the aim of maintaining a one-year asset buffer at all times to meet expected benefit payments.

### Public Trading Enterprises and other employers

Funding plans for each of these employers are reviewed annually. Individual employer funding plans were reviewed as at 30 June 2018 and recommendations were provided separately in October 2018.



## Valuation assumptions

An experience review was carried out and reported on separately in order to inform the economic and demographic assumptions for the 2018 triennial valuation, which are set as a best estimate. The review considered the current long-term market outlook for future investment returns and CPI increases, actual vs expected experience for the Fund over recent years, and broader superannuation industry practices and research.

The economic assumptions remain unchanged since the 2017 annual valuation, when the discount rates, salary increase rates and CPI rates were reduced:

| Economic assumption     | 30 June 2015 triennial valuation | 30 June 2017 AASB1056 valuation | 30 June 2018 triennial valuation |
|-------------------------|----------------------------------|---------------------------------|----------------------------------|
| Discount rate           |                                  |                                 |                                  |
| Non-pensioner           | 6.8% p.a.                        | 6.4% p.a.                       | <b>6.4% p.a.</b>                 |
| Pensioner               | 7.8% p.a.                        | 7.4% p.a.                       | <b>7.4% p.a.</b>                 |
| General salary increase |                                  |                                 |                                  |
| Short term              | 3.0% p.a. to 30 June 2019        | 2.7% p.a. to 30 June 2019       | <b>2.7% p.a. to 30 June 2019</b> |
| Long term               | 3.5% p.a.                        | 3.2% p.a.                       | <b>3.2% p.a.</b>                 |
| Rate of CPI increase    | 2.5% p.a.                        | 2.2% p.a.                       | <b>2.2% p.a.</b>                 |
| Expenses                | 1.0% of benefit payments         | 1.0% of benefit payments        | <b>1.0% of benefit payments</b>  |

The key economic driver of the valuation is the difference between the discount rate and the assumptions underlying liability growth (salary inflation and CPI increases). This difference has decreased by 0.1% p.a. from 5.3% p.a. to 5.2% p.a., based on the pensioner discount rate and the rate of CPI increase.

The table below shows the key demographic assumptions as well as brief commentary on some of the recent experience seen:

| Demographic assumption  | 2018 triennial valuation updates  |
|---|---|
| <b>Pensioner mortality</b><br>All schemes                     | Maintain 2015 valuation assumptions with the applicable mortality improvements from 2015 to 2018  |
| <b>Pensioner mortality future improvements</b><br>All schemes | No change i.e. 6 years of ALT10-12 short-term improvement factors <sup>1</sup> applied from the valuation date, and thereafter the ALT10-12 long-term improvement factors |
| <b>Retirements</b><br>SSS and SASS contributors               | Actual exits continue to be higher than expected; increase SASS retirement rates in line with experience but no change to SSS retirement rates                            |
| <b>Retirement and hurt on duty</b><br>PSS contributors        | No change   |
| <b>Pension take up</b><br>SASS contributors                   | Increase assumption from 50% to 60% in line with experience   |
| <b>Other demographics</b><br>SASS preservation                | Increase assumption to 85%+ in line with experience   |

<sup>1</sup> The pensioner mortality future improvement factors allow for mortality rates to continue to improve into the future. The rates used have been taken from the latest Australia Life Tables 2010-12 (ALT10-12) produced by the Australian Government Actuary. The short-term improvement rates (which considered improvements seen over the past 25 years) have generally higher year-on-year mortality improvements than the long-term rates (which considered improvements seen over the past 125 years), with some differences by age

The demographic assumption changes above resulted in a \$241m (0.5%) increase in the employer past service liabilities of \$49.5bn.

## Risks and sensitivities

A description of key risks as faced by the State Super Pooled Fund as well as sensitivity results which highlight the possible impact of changes in assumptions in these areas are shown below. The largest risks relate to investment risk and pension increase risk. Note that the sensitivities shown above reflect a possible alternative assumption rather than the size of the risk itself.

|                              | Comments  | Sensitivity   |
|------------------------------|---|---|
| <b>Investment risk</b>       | <ul style="list-style-type: none"> <li>A key risk faced by State Super Pooled Fund</li> <li>Moving to a more cautious investment strategy could reduce volatility to help mitigate this</li> <li>However this would also result in lower expected investment returns and increased employer liabilities and costs</li> </ul>                    | Increase in employer past service liabilities of <b>\$49.5 billion</b>                |
| <b>Pension increase risk</b> | <ul style="list-style-type: none"> <li>RBA has adopted inflation target of 2-3%</li> <li>Monetary policy used to keep within target</li> <li>Strong pensioner presence in State Super Pooled Fund (79% of liability)</li> </ul>   | <b>Investment risk</b><br>1% p.a. decrease in investment returns<br>\$4.8bn<br>9.7%   |
| <b>Salary increase risk</b>  | <ul style="list-style-type: none"> <li>Employer has control over this</li> <li>Historically been less volatile than investments</li> <li>Contributors make up small (20%) of liability so salary increase risk is relatively low</li> </ul>   | <b>Pension increase risk</b><br>1% p.a. increase in inflation<br>\$4.5bn<br>9.2%      |
| <b>Longevity risk</b>        | <ul style="list-style-type: none"> <li>Future life expectancies continue to increase</li> <li>Allowance has been made in assumptions</li> <li>Strong pensioner presence in State Super Pooled Fund (currently 79% of liability. This will also impact contributors who are eligible for pension benefits in the future in the Fund.)</li> </ul> | <b>Salary increase risk</b><br>1% p.a. increase in salary increase<br>\$0.5bn<br>1.0% |
| <b>Catastrophe risk</b>      | <ul style="list-style-type: none"> <li>Death and TPD self-insured</li> <li>Potential for catastrophic event to lead to multiple claims</li> <li>Offset by pensioners (who could also be impacted)</li> </ul>  |   |
| <b>Legislative risk</b>      | <ul style="list-style-type: none"> <li>Continual changes, such as increasing Superannuation Guarantee and APRA prudential standards could increase costs</li> <li>However, good governance may reduce risk</li> </ul>   | <b>Longevity risk</b><br>Higher mortality improvements<br>\$0.3bn<br>0.6%             |

Further details of the sensitivity results by Scheme are shown below:

| Employer Past Service Liabilities (\$m)  | SASS                    | SSS                         | PSS                      | SANCS                  | Total                      |
|--|-------------------------|-----------------------------|--------------------------|------------------------|----------------------------|
| <b>Central assumptions</b>   | <b>7,376</b>            | <b>33,392</b>               | <b>7,110</b>             | <b>1,660</b>           | <b>49,538</b>              |
| Investment return / Discount rate plus 1%<br>(central assumption 7.4% p.a. / 6.4% p.a. <sup>1</sup> )  | 6,918<br>(-458 or 6.2%) | 30,596<br>(-2,796 or 8.4%)  | 6,361<br>(-749 or 10.5%) | 1,584<br>(-76 or 4.6%) | 45,458<br>(-4,080 or 8.2%) |
| Investment return / Discount rate minus 1%<br>(central assumption 7.4% p.a. / 6.4% p.a. <sup>1</sup> ) | 7,896<br>(+520 or 7.1%) | 36,665<br>(+3,273 or 9.8%)  | 8,015<br>(+905 or 12.7%) | 1,744<br>(+84 or 5.1%) | 54,320<br>(+4,782 or 9.7%) |
| CPI increases plus 1%<br>(central assumption 2.2% p.a.)  | 7,592<br>(+216 or 2.9%) | 36,797<br>(+3,405 or 10.2%) | 8,023<br>(+913 or 12.8%) | 1,660<br>(no impact)   | 54,072<br>(+4,534 or 9.2%) |
| CPI increases minus 1%<br>(central assumption 2.2% p.a.)   | 7,189<br>(-187 or 2.5%) | 30,445<br>(-2,947 or 8.8%)  | 6,344<br>(-766 or 10.8%) | 1,660<br>(no impact)   | 45,638<br>(-3,900 or 7.9%) |
| Salary increases plus 1%<br>(central assumption 2.7% p.a. / 3.2% p.a. <sup>2</sup> )                   | 7,696<br>(+320 or 4.3%) | 33,436<br>(+44 or 0.1%)     | 7,151<br>(+41 or 0.6%)   | 1,745<br>(+85 or 5.1%) | 50,027<br>(+489 or 1.0%)   |
| Salary increases minus 1%<br>(central assumption 2.7% p.a. / 3.2% p.a. <sup>2</sup> )                  | 7,079<br>(-297 or 4.0%) | 33,349<br>(-43 or 0.1%)     | 7,071<br>(-39 or 0.6%)   | 1,582<br>(-78 or 4.7%) | 49,081<br>(-457 or 0.9%)   |
| Short term pensioner mortality improvements <sup>3</sup>   | 7,396<br>(+20 or 0.3%)  | 33,595<br>(+203 or 0.6%)    | 7,186<br>(+76 or 1.1%)   | 1,660<br>(no impact)   | 49,837<br>(+299 or 0.6%)   |
| Long term pensioner mortality improvements <sup>4</sup>  | 7,360<br>(-16 or 0.2%)  | 33,174<br>(-218 or 0.7%)    | 7,058<br>(-52 or 0.7%)   | 1,660<br>(no impact)   | 49,252<br>(-286 or 0.6%)   |

<sup>1</sup> Central assumption for discount rate is 7.4% p.a. for all pensioners / 6.4% p.a. for other members

<sup>2</sup> Central assumption of 2.7% p.a. to 30 June 2019 and 3.2% p.a. thereafter

<sup>3</sup> Assumes the short term pensioner mortality improvement factors used for projection years 2018-2024, are also applied for years after 2024

<sup>4</sup> Assumes the long term pensioner mortality improvement factors used for projection years post 2024, are also applied for years 2018 to 2024

The changes in each row above are applied individually, while leaving the other assumptions unchanged.

## Membership

The table below shows the State Super Pooled Fund membership by Scheme and member type, and compares it with the membership at 2015. The total membership in the table below is based on the total of the SASS, SSS and PSS memberships. Contributor and deferred members in these Schemes are generally also members of SANCS (see note 4 below for more details).

| Scheme                   | 30 June 2018 <sup>1</sup> |                  |                     |                | 30 June 2015  |                    |                     |                |
|--------------------------|---------------------------|------------------|---------------------|----------------|---------------|--------------------|---------------------|----------------|
|                          | Contributors              | Deferreds        | Pensioners          | Total          | Contributors  | Deferreds          | Pensioners          | Total          |
| SASS                     | 20,945                    | 9,516            | 4,455               | 34,916         | 28,552        | 10,354             | 4,167               | 43,073         |
| SSS                      | 3,175                     | 957 <sup>2</sup> | 55,233 <sup>3</sup> | 59,365         | 7,113         | 1,551 <sup>2</sup> | 53,498 <sup>3</sup> | 62,162         |
| PSS                      | 916                       | 84               | 6,605               | 7,605          | 1,275         | 114                | 6,555               | 7,944          |
| SANCS                    | 25,034                    | 10,436           | -                   | 35,470         | 36,933        | 11,763             | -                   | 48,696         |
| <b>Total<sup>4</sup></b> | <b>25,036</b>             | <b>10,557</b>    | <b>66,293</b>       | <b>101,886</b> | <b>36,940</b> | <b>12,019</b>      | <b>64,220</b>       | <b>113,179</b> |

<sup>1</sup> 2018 membership based on 30 April 2018 administrative data, projected to 30 June 2018 (as such, figures may differ slightly to Annual Accounts)

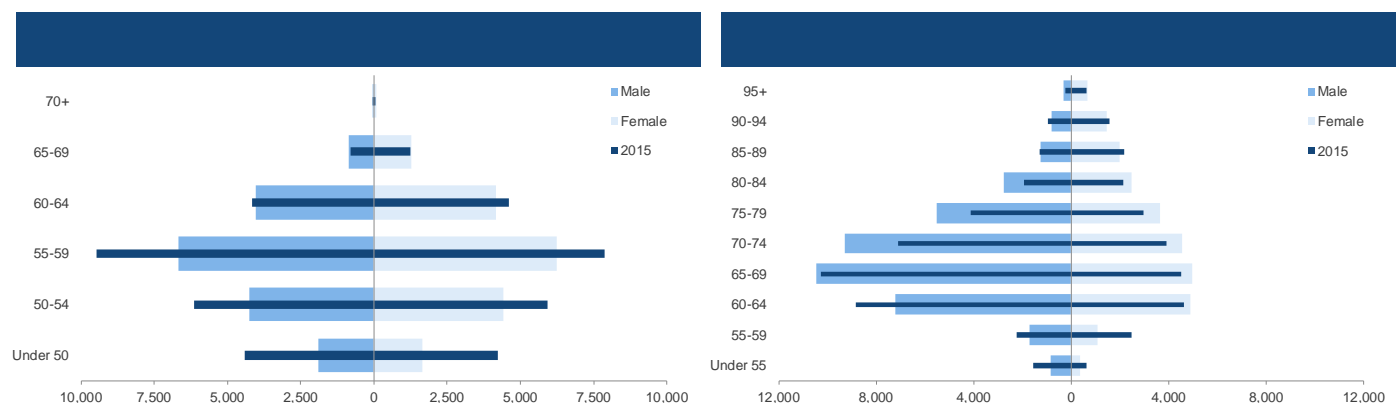
<sup>2</sup> SSS deferreds who are currently receiving pension payments have been excluded from deferreds and included in pensioners. There were 453 such members in 2018 and 496 in 2015

<sup>3</sup> Excludes SSS fully commuted pensioners who are not currently in receipt of a pension payment. The spouses of these fully commuted pensioners are eligible for a reversionary pension and the past service liabilities for SSS include a liability provision for these spouse reversions. There were 16,809 such pensioners in 2018 and 17,277 in 2015

<sup>4</sup> As noted above this total is based on the total of the SASS, SSS and PSS memberships. All SASS, SSS and PSS contributors are also members of SANCS (with the exception of Sydney Grammar). There are no SANCS contributory members who are not members of SASS, SSS or PSS. Nearly all of the SASS, SSS and PSS deferred members are also deferred members of SANCS. Thus the totals have been determined as the sum of SASS, SSS and PSS only.

The total membership has decreased by 10.0% from 113,179 to 101,886. Contributor membership has decreased by 32.2% from 36,940 to 25,036 which reflects the fact that the Fund is closed and members are leaving.

The charts below show an age profile of the combined contributor and deferred membership (35,593 people) and of the pensioner membership (66,293 people). The average age for both of these groups has increased since 2015, from 55.2 to 56.6 for contributors and deferreds, and from 70.1 to 71.3 for pensioners.



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## Part G

# Financial statements of the SAS Trustee Corporation

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## INDEPENDENT AUDITOR'S REPORT

### SAS Trustee Corporation

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of SAS Trustee Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2018, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

## **The Board's Responsibilities for the Financial Statements**

The members of the Trustee Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the members of the Board determine 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 members of the Board are responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where operations will be dissolved by an Act of Parliament or otherwise cease.

## **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
- issue an Independent Auditor's Report including my opinion.

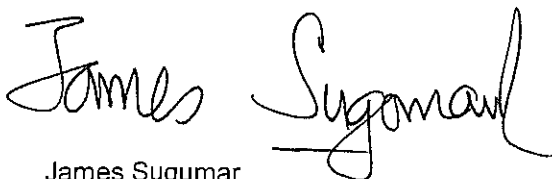
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Corporation or the consolidated entity carried out their activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar  
Director, Financial Audit Services

8 October 2018  
SYDNEY



**SAS TRUSTEE CORPORATION**

**ABN 29 239 066 746**


**Statement by the Trustee Board  
for the year ended 30 June 2018**

Pursuant to section 41C of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we state that in our opinion the financial statements:

1. give a true and fair view of the financial position of the SAS Trustee Corporation as at 30 June 2018 and financial performance for the year then ended, and
2. have been prepared in accordance with the Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and the Treasurer's Directions.

Further, we are not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 4th day of October 2018.



**Nicholas Johnson**  
Chairperson  
SAS Trustee Corporation



**Claire Keating**  
Board Member and Chairperson of the  
Risk, Audit and Compliance Committee  
SAS Trustee Corporation

# SAS TRUSTEE CORPORATION

| <b>Consolidated Statement of Comprehensive Income<br/>for the year ended 30 June 2018</b> | <b>Note</b> | <b>Economic<br/>Entity<br/>2018<br/>\$'000</b> | <b>Economic<br/>Entity<br/>2017<br/>\$'000</b> | <b>Parent<br/>Entity<br/>2018<br/>\$'000</b> | <b>Parent<br/>Entity<br/>2017<br/>\$'000</b> |
|---|-------------|--|--|--|--|
| <b>Revenue</b>  |             |  |  |  |  |
| Operating Revenue   | 3           | 38,488   | 41,517   | 36,622                                       | 39,279                                       |
| <b>Expenses</b>   |             |  |  |  |  |
| Operating Expenses  | 3           | (38,855)                                       | (41,508)                                       | (36,622)                                     | (39,279)                                     |
| <b>Operating Result</b>   |             | <b>(367)</b>                                   | <b>9</b>                                       | <b>-</b>                                     | <b>-</b>                                     |
| <b>Other Comprehensive Income</b>   |             |  |  |  |  |
| <b>Items that will not be reclassified into Operating Result:</b>                         |             |  |  |  |  |
| Superannuation actuarial re-measurement gains/(losses)                                    | 10          | 367  | (9)  | -  | -  |
| <b>Total Comprehensive Income</b>   |             | <b>-</b>                                       | <b>-</b>                                       | <b>-</b>                                     | <b>-</b>                                     |

The accompanying notes form an integral part of the above Consolidated Statement of Comprehensive Income

# SAS TRUSTEE CORPORATION

| <b>Consolidated Statement of Financial Position<br/>as at 30 June 2018</b> | <b>Note</b> | <b>Economic<br/>Entity<br/>2018<br/>\$'000</b> | <b>Economic<br/>Entity<br/>2017<br/>\$'000</b> | <b>Parent<br/>Entity<br/>2018<br/>\$'000</b> | <b>Parent<br/>Entity<br/>2017<br/>\$'000</b> |
|--|-------------|--|--|--|--|
| <b>Current Assets</b>  |             |  |  |  |  |
| Cash and Cash Equivalents  |             | 9,309  | 7,487  | 9,309  | 7,487  |
| Receivables  | 4           | 4,593  | 6,344  | 4,593  | 6,344  |
| Other Current Assets   |             | 432  | 420  | 432  | 420  |
| <b>Total Assets</b>  |             | <b>14,334</b>                                  | <b>14,251</b>                                  | <b>14,334</b>                                | <b>14,251</b>                                |
| <b>Current Liabilities</b>   |             |  |  |  |  |
| Payables   | 5           | 10,168   | 10,050   | 14,334                                       | 14,251                                       |
| Provisions   | 6           | 3,982  | 4,099  | -  | -  |
| <b>Total Current Liabilities</b>   |             | <b>14,150</b>                                  | <b>14,149</b>                                  | <b>14,334</b>                                | <b>14,251</b>                                |
| <b>Non-Current Liabilities</b>   |             |  |  |  |  |
| Provisions   | 6           | 184  | 102  | -  | -  |
| <b>Total Non-Current Liabilities</b>                                       |             | <b>184</b>                                     | <b>102</b>                                     | <b>-</b>                                     | <b>-</b>                                     |
| <b>Total Liabilities</b>   |             | <b>14,334</b>                                  | <b>14,251</b>                                  | <b>14,334</b>                                | <b>14,251</b>                                |
| <b>Net Assets</b>  |             | <b>-</b>                                       | <b>-</b>                                       | <b>-</b>                                     | <b>-</b>                                     |
| <b>Accumulated Funds</b>   |             | <b>-</b>                                       | <b>-</b>                                       | <b>-</b>                                     | <b>-</b>                                     |

The accompanying notes form an integral part of the above Consolidated Statement of Financial Position

# SAS TRUSTEE CORPORATION

## Consolidated Statement of Cash Flows for the year ended 30 June 2018

| Note | Economic<br>Entity<br>2018<br>\$'000 | Economic<br>Entity<br>2017<br>\$'000 | Parent<br>Entity<br>2018<br>\$'000 | Parent<br>Entity<br>2017<br>\$'000 |
|------|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
|------|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|

### Cash Flows from Operating Activities

|                                     |          |          |          |          |
|-------------------------------------|----------|----------|----------|----------|
| Receipts from Pooled Fund Schemes   | 40,114   | 40,822   | 38,247   | 38,583   |
| Interest Received                   | 112      | 48       | 112      | 48       |
| Payments to Suppliers and Employees | (38,404) | (35,454) | (36,537) | (33,215) |

|   |    |              |       |              |       |
|---|----|--------------|-------|--------------|-------|
| <b>Net Cash Flows from Operating Activities</b> | 11 | <b>1,822</b> | 5,416 | <b>1,822</b> | 5,416 |
|---|----|--------------|-------|--------------|-------|

|   |  |              |       |              |       |
|---|--|--------------|-------|--------------|-------|
| <b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b> |  | <b>1,822</b> | 5,416 | <b>1,822</b> | 5,416 |
|---|--|--------------|-------|--------------|-------|

|                                 |  |              |       |              |       |
|---------------------------------|--|--------------|-------|--------------|-------|
| Opening Cash & Cash Equivalents |  | <b>7,487</b> | 2,071 | <b>7,487</b> | 2,071 |
|---------------------------------|--|--------------|-------|--------------|-------|

|  |  |              |       |              |       |
|--|--|--------------|-------|--------------|-------|
| <b>Closing Cash &amp; Cash Equivalents</b> |  | <b>9,309</b> | 7,487 | <b>9,309</b> | 7,487 |
|--|--|--------------|-------|--------------|-------|

The accompanying notes form an integral part of the above Consolidated Statement of Cash Flows

# SAS TRUSTEE CORPORATION

| Consolidated Statement of Changes in Equity<br>for the year ended 30 June 2018 | Note | Economic<br>Entity<br>2018<br>\$'000 | Economic<br>Entity<br>2017<br>\$'000 | Parent<br>Entity<br>2018<br>\$'000 | Parent<br>Entity<br>2017<br>\$'000 |
|--|------|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| Balance at 1 July  |      | -                                    | -                                    | -                                  | -                                  |
| Operating Result   |      | (367)                                | 9                                    | -                                  | -                                  |
| <b>Other Comprehensive Income</b>  |      |                                      |                                      |                                    |                                    |
| Superannuation actuarial re-measurement<br>gains/(losses)                      | 10   | 367                                  | (9)                                  | -                                  | -                                  |
| Total Comprehensive Income   |      | -                                    | -                                    | -                                  | -                                  |
| Balance at 30 June   |      | -                                    | -                                    | -                                  | -                                  |

The accompanying notes form an integral part of the above Consolidated Statement of Changes in Equity

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 1. OPERATIONS

Under the terms of the *Superannuation Administration Act 1996* (the Act), the SAS Trustee Corporation (STC) is trustee for all assets of the SAS Trustee Corporation Pooled Fund ("the Pooled Fund"). STC is entirely economically dependent on the Pooled Fund. STC is a statutory body domiciled in NSW Australia. Its registered address is Level 16, 83 Clarence Street, Sydney, NSW, 2000.

Scheme administration services for the Pooled Fund are carried out by Mercer Administration Services (Mercer Administration). Mercer Administration charges fees for the services it provides.

The Pooled Fund is a separate reporting entity for accounting and taxation purposes.

The STC Staff Agency provides personnel services to STC and the Pooled Fund and is controlled by STC. The STC Economic Entity includes all transactions of STC and the STC Staff Agency. The principles of consolidation are described at note 2(b) below. STC is consolidated as part of the NSW Total State Sector Accounts.

#### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### a) Statement of Compliance and Basis of Preparation

The financial statements are general purpose financial statements and are prepared in accordance with –

- the *Public Finance and Audit Act 1983*
- the Public Finance and Audit Regulation 2015
- the Treasurer's Directions, and
- Australian Accounting Standards and Interpretations.

Both the Economic Entity and the Parent Entity are not-for-profit entities.

The financial statements have been prepared on a historical cost basis, except for defined benefit assets/liabilities that have been measured at fair value.

The accounting policies adopted in preparing the financial statements have been consistently applied during the year, unless otherwise stated. All amounts are expressed in Australian dollars and rounded to the nearest thousand dollars.

The financial statements were authorised for issue by the Trustee Board on 4<sup>th</sup> October 2018.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 2. STATEMENT OF ACCOUNTING POLICIES (Continued)

##### b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and the operating results of the Parent Entity (SAS Trustee Corporation) and its controlled entity, the STC Staff Agency.

Transactions and balances between the Parent Entity and the controlled entities are eliminated on consolidation. The Parent Entity and its controlled entity are referred to in these financial statements as the "Economic Entity". The STC Staff Agency prepares separate financial statements.

##### c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received for the rendering of services.

Management fee is the reimbursement from the Pooled Fund for all costs relating to scheme administration and executive management incurred by STC, which comprises of the direct expenses of the Parent Entity and administration fees from Mercer Administration. Under the terms of the Act, STC must recover the costs it incurs from the Pooled Fund. Consequently, it recognises an amount equal to the costs incurred at the time the services are delivered.

##### d) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities. The instruments include cash at bank, receivables and payables. All classes of instruments are initially recorded at cost and receivables and payables are subsequently measured at amortised cost. As such, inputs for valuing the receivables and payables are not based on observable market data. Such measurement provides a reliable estimate of the instrument. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

##### e) New accounting standards and interpretations

There have been no new Australian Accounting Standards and Interpretations that became effective for the first time for this reporting period that affected these financial statements.

##### f) Accounting standards issued but not yet effective

At the date of authorisation of the financial statements the following accounting standards have been issued but not yet effective. The impact of these standards and interpretations are outlined below.

##### AASB 9 Financial Instruments –

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets and liabilities. The standard first applies for the year ending on or after 30 June 2019. No material changes to these financial statements are expected.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 2. STATEMENT OF ACCOUNTING POLICIES (Continued)

##### f) Accounting standards issued but not yet effective (continued)

###### AASB 15 Revenue from Contracts with Customers and AASB 2016-8 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities –

AASB 15 includes the core principle that requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard first applies for the year ending 30 June 2020 for Not-for-Profit entities. No material changes to these financial statements are expected.

###### AASB 1058 Income of Not-for-Profit Entities –

This standard for Not-for-Profit (NPF) entities will defer income recognition in some circumstances for NFP entities, particularly where there is a performance obligation or any other liability. The standard is effective for the year ending 30 June 2020. No material changes to these financial statements are expected.

###### AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement –

The standard makes amendments to AASB 119 Employee Benefit in connection with accounting for plan amendments, curtailments and settlements. This standard is effective for the year ending 30 June 2020. No material changes to these financial statements are expected.

###### AASB 16 Leases -

This standard replaces AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease. The standard brings most leases onto the balance sheet and would have the most impact on lessee accounting. The standard first applies for the year ending on or after 30 June 2020. No material impact to these financial statements is expected.

##### g) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparatives have been restated to improve the presentation.

##### h) Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements for the year ended 30 June 2018. The defined benefit superannuation liabilities have been actuarially determined. The key assumptions are disclosed in note 10.



# SAS TRUSTEE CORPORATION

## Notes to the financial statements for the year ended 30 June 2018

| 3. OPERATING RESULT                                      | Economic<br>Entity<br>2018<br>\$'000 | Economic<br>Entity<br>2017<br>\$'000 | Parent<br>Entity<br>2018<br>\$'000 | Parent<br>Entity<br>2017<br>\$'000 |
|--|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| <b>Revenue</b>   |                                      |                                      |                                    |                                    |
| Management Fees  | 38,120                               | 41,164                               | 36,254                             | 38,926                             |
| Interest revenue   | 112                                  | 48                                   | 112                                | 48                                 |
| Other revenue  | 256                                  | 305                                  | 256                                | 305                                |
| <b>Total Revenue</b>                                     | <b>38,488</b>                        | <b>41,517</b>                        | <b>36,622</b>                      | <b>39,279</b>                      |
| <b>Trustee Expenses</b>                                  |                                      |                                      |                                    |                                    |
| Board Member Fees  | 517                                  | 522                                  | 517                                | 522                                |
| Other Expenses   | 155                                  | 149                                  | 155                                | 149                                |
| <b>Total Trustee Expenses</b>                            | <b>672</b>                           | <b>671</b>                           | <b>672</b>                         | <b>671</b>                         |
| <b>Executive Expenses</b>                                |                                      |                                      |                                    |                                    |
| Employee Related Expenses                                | 6,425                                | 8,043                                | -                                  | -                                  |
| Superannuation   | 624                                  | 672                                  | -                                  | -                                  |
| Personnel Services Expenses                              | -                                    | -                                    | 4,816                              | 6,486                              |
| Lease Expenses/Premises Expenses                         | 1,084                                | 1,012                                | 1,084                              | 1,012                              |
| Other Overhead Expenses                                  | 1,911                                | 1,615                                | 1,911                              | 1,615                              |
| <b>Total Executive Expenses</b>                          | <b>10,044</b>                        | <b>11,342</b>                        | <b>7,811</b>                       | <b>9,113</b>                       |
| <b>Fund Expenses</b>                                     |                                      |                                      |                                    |                                    |
| Administration Fees                                      | 22,345                               | 23,687                               | 22,345                             | 23,687                             |
| Regulatory, Governance & Process Improvement Initiatives | 1,164                                | 2,361                                | 1,164                              | 2,361                              |
| Professional Fees  | 3,693                                | 2,850                                | 3,693                              | 2,850                              |
| Other Administration Fees                                | 937                                  | 597                                  | 937                                | 597                                |
| <b>Total Fund Expenses</b>                               | <b>28,139</b>                        | <b>29,495</b>                        | <b>28,139</b>                      | <b>29,495</b>                      |
| <b>Total Expenses</b>                                    | <b>38,855</b>                        | <b>41,508</b>                        | <b>36,622</b>                      | <b>39,279</b>                      |
| <b>Result</b>  | <b>(367)</b>                         | <b>9</b>                             | <b>-</b>                           | <b>-</b>                           |

Audit fees of \$24,000 (2017: \$23,000) for the STC and the STC Staff Agency are included in the total expenses.

# SAS TRUSTEE CORPORATION

## Notes to the financial statements for the year ended 30 June 2018

### 3. OPERATING RESULT (Continued)

| Lease payments made during the year comprised | Economic<br>Entity<br>2018<br>\$'000 | Economic<br>Entity<br>2017<br>\$'000 | Parent<br>Entity<br>2018<br>\$'000 | Parent<br>Entity<br>2017<br>\$'000 |
|---|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| Minimum lease payments                        | 1,044                                | 977                                  | 1,044                              | 977                                |
|   | 1,044                                | 977                                  | 1,044                              | 977                                |

| 4. RECEIVABLES               | Economic<br>Entity<br>2018<br>\$'000 | Economic<br>Entity<br>2017<br>\$'000 | Parent<br>Entity<br>2018<br>\$'000 | Parent<br>Entity<br>2017<br>\$'000 |
|------------------------------|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| Current                      |                                      |                                      |                                    |                                    |
| Receivables from Pooled Fund | 4,072                                | 5,921                                | 4,072                              | 5,921                              |
| Other Receivables            | 521                                  | 423                                  | 521                                | 423                                |
|                              | 4,593                                | 6,344                                | 4,593                              | 6,344                              |

| 5. PAYABLES                             | Economic<br>Entity<br>2018<br>\$'000 | Economic<br>Entity<br>2017<br>\$'000 | Parent<br>Entity<br>2018<br>\$'000 | Parent<br>Entity<br>2017<br>\$'000 |
|---|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| Current                                 |                                      |                                      |                                    |                                    |
| Administration Fees Payable             | 1,812                                | 2,004                                | 1,812                              | 2,004                              |
| Other Payables (including Accruals)     | 8,356                                | 8,046                                | 8,356                              | 8,046                              |
| Intercompany Payable – STC Staff Agency | -                                    | -                                    | 4,166                              | 4,201                              |
|   | 10,168                               | 10,050                               | 14,334                             | 14,251                             |

All payables are within agreed trading terms.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

|  | Economic<br>Entity<br>2018<br>\$'000 | Economic<br>Entity<br>2017<br>\$'000 | Parent<br>Entity<br>2018<br>\$'000 | Parent<br>Entity<br>2017<br>\$'000 |
|--|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| <b>6 PROVISIONS</b>                    |                                      |                                      |                                    |                                    |
| <b>Current</b>                         |                                      |                                      |                                    |                                    |
| Employee Benefits                      |                                      |                                      |                                    |                                    |
| - Annual Leave                         | 483                                  | 357                                  | -                                  | -                                  |
| - Long Service Leave                   | 173                                  | 143                                  | -                                  | -                                  |
| Superannuation (refer Note 10)         |                                      |                                      |                                    |                                    |
| - SSS                                  | 3,326                                | 3,599                                | -                                  | -                                  |
|  | <b>3,982</b>                         | <b>4,099</b>                         | <b>-</b>                           | <b>-</b>                           |
| <b>Non-current</b>                     |                                      |                                      |                                    |                                    |
| Employee Benefits – Long Service Leave | 184                                  | 102                                  | -                                  | -                                  |
|  | <b>184</b>                           | <b>102</b>                           | <b>-</b>                           | <b>-</b>                           |

#### Employee Benefits

##### **Wages, salaries and annual leave**

The provision for employee benefits relating to wages, salaries and annual leave represents the amount which the Economic Entity has a present obligation to pay resulting from employees' services provided up to the balance date. These provisions are expected to be settled within 12 months and are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Such measurement provides a reliable estimate of the liability. All amounts include the salary of STC's Chief Executive Officer, whose contract is direct with STC.

##### **Long service leave**

The liability for employee benefits relating to long service leave is measured at their discounted value using the risk-free rate mandated by NSW Treasury. Such measurement provides a reliable estimate of the liability.

##### **Superannuation**

Any unfunded superannuation liability is recognised as a liability in the Statement of Financial Position and amounts representing pre-paid superannuation contributions are recognised as an asset. For the year ended 30 June 2018, the Economic Entity met in full the total superannuation liabilities for its employees. The contributions made to superannuation funds are charged against the operating result. Any actuarial gains and losses are recognised in comprehensive income in the year in which the gain or loss occurs.

## **7. FAIR VALUE AND FINANCIAL RISKS**

Unless subject to specific measurement requirements of relevant Accounting Standard, all assets and liabilities are measured and reported at fair value. STC is exposed to minimal financial risk as its governing legislation permits STC to recover all its costs from the Pooled Fund.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 8. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL COMPENSATION

The following were key management personnel of the STC Economic Entity during the year and the comparative year.

##### *Non-executive Trustees*

Ms C Austin (term commenced 28 June 2018)  
Ms C Bolger  
Mr A Claassens (term completed 4 November 2016 - term recommenced 5 November 2016)  
Ms S Dave  
Mr N Johnson  
Ms C Keating (term commenced 10 November 2016)  
Mr G Maniatis  
Ms K Moses (term completed 26 March 2018)  
Mr T O'Grady (term completed 24 June 2017 – term recommenced 14 September 2017)  
Ms R Ramwell  
Mr G Venardos (term completed 4 November 2016)

##### *Executive Officers*

Mr R Hedley (from 1 October 2016)  
Mr J Livanas  
Ms A Lowe (until 26 October 2016)  
Mr J Narayan  
Mr A Parapuram (from 30 November 2016)  
Mr N Patel (from 1 October 2016)  
Ms L Rasmussen (until 30 November 2016)  
Ms A Samuel  
Ms N Siratkov  
Ms L Tsitsis (until 30 November 2016)

| The key management personnel compensation in relation to services to STC is as follows | Economic Entity<br>2018<br>\$'000 | Economic Entity<br>2017<br>\$'000 | Parent<br>Entity<br>2018<br>\$'000 | Parent<br>Entity<br>2017<br>\$'000 |
|--|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Board member compensation  | 517                               | 522                               | -                                  | -                                  |
| Short-term employee benefits   | 2,430                             | 2,521                             | -                                  | -                                  |
| Termination benefits   | -                                 | 1,568                             | -                                  | -                                  |
| Other long term employee benefits  | 23                                | 19                                | -                                  | -                                  |
|  | <b>2,970</b>                      | <b>4,630</b>                      | <b>-</b>                           | <b>-</b>                           |

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 9. RELATED PARTY INFORMATION

- a) Transactions entered during the year with Key Management Personnel and their Related Entities:

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| Consulting fees paid to STC Board Member Ms. C Keating by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services | 168            | 94             |
| Director fees paid to STC Board Member Ms. R Ramwell by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services   | 62             | 32             |

- b) The following Board Members were members of the Fund schemes during the reporting period or up to the date of the financial statements (including comparative year): T O'Grady and A Claassens. Their membership terms and conditions were the same as those applied to other members of the Fund schemes.

#### 10. SUPERANNUATION

The Economic Entity participates in the State Superannuation Scheme (SSS) closed defined benefit superannuation scheme for some of its staff.

The scheme is a defined benefit scheme, whereby the benefit on retirement is directly related to a member's unit entitlement as dictated by their final salary. Members receive a pension on retirement and disablement. Upon death, there is provision for a reversionary pension benefit to an eligible spouse. If a member elects payment of a withdrawal benefit, this is paid as a lump sum and there is no further benefit payable.

The SSS scheme is closed to new members.

##### *Description of the scheme's regulatory framework*

The SSS scheme in the Pooled Fund is established and governed by the *Superannuation Act 1916*.

The scheme in the Pooled Fund is an exempt public sector superannuation scheme under the Commonwealth *Superannuation Industry (Supervision) Act 1993 (SIS)*. The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 10. SUPERANNUATION (Continued)

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. This provision is in addition to other legislative obligations on the Trustee Board and internal processes that monitor STC's (in its capacity as Trustee Board) adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The triennial review as at 30 June 2018 is in progress and will be completed by end of 2018.

STC (in its capacity as Trustee Board) is responsible for the governance of the Fund and has a legal obligation to act solely in the best interests of fund beneficiaries. STC (in its capacity as Trustee Board) has the following roles –

- administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- management and investment of the Fund assets; and
- compliance with other applicable regulations.

#### Description of risks

There are a number of risks to which the Fund exposes STC as a participating employer. The more significant risks relating to the defined benefits are –

- investment risk - The risk that investment returns will be lower than assumed and the participating employer will need to increase contributions to offset this shortfall
- longevity risk – The risk that pensioners live longer than assumed, increasing future pensions
- salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional contributions from the participating employer
- legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

#### Description of significant events

There were no fund amendments, curtailments or settlements during the year.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 10. SUPERANNUATION (Continued)

The following information has been prepared by the Scheme actuary.

##### *Reconciliation of the Net Defined Benefit Liability/(Asset)*

| SSS  | Economic<br>Entity<br><br>2018<br>\$'000 | Economic<br>Entity<br><br>2017<br>\$'000 |
|--|--|--|
| <i>Net Defined Benefit Liability/(Asset) at start of year</i>            | 3,599                                    | 3,485                                    |
| Current service cost   | -  | 35                                       |
| Net interest on the net defined benefit liability/(asset)                | 94                                       | 69                                       |
| Past service cost  | -  | -  |
| (Gains)/losses arising from settlements                                  | -  | -  |
| Actual returns on Fund assets less interest income                       | (313)                                    | (437)                                    |
| Actuarial (gains)/losses arising from changes in demographic assumptions | 52                                       | -  |
| Actuarial (gains)/losses arising from changes in financial assumptions   | (34)                                     | (869)                                    |
| Actuarial (gains)/losses arising from liability experience               | (72)                                     | 1,316                                    |
| Adjustment for effect of asset ceiling                                   | -  | -  |
| Employer contributions   | -  | -  |
| <i>Net Defined Benefit Liability/(Asset) at end of year</i>              | 3,326                                    | 3,599                                    |

The Superannuation actuarial re-measurement gain of \$367,000 (2017 loss of \$9,000) comprises of actuarial gains/losses arising from changes to demographic assumptions, financial assumptions and liability experience.

This amount is disclosed under Other Comprehensive Income in compliance with AASB119 requirements.



# SAS TRUSTEE CORPORATION

## Notes to the financial statements for the year ended 30 June 2018

### 10. SUPERANNUATION (Continued)

#### Reconciliation of the fair value of fund assets

| SSS   | Economic<br>Entity | Economic<br>Entity |
|---|--------------------|--------------------|
|   | 2018<br>\$'000     | 2017<br>\$'000     |
| <i>Fair value of fund assets at beginning of the year</i> | 5,386              | 6,366              |
| Interest income   | 136                | 122                |
| Actual return on Fund assets less interest income         | 313                | 438                |
| Employer contributions                                    | -                  | -                  |
| Contributions by participants                             | -                  | 12                 |
| Benefits paid   | (371)              | (1,608)            |
| Taxes, premiums and expenses paid                         | 57                 | 56                 |
| Transfers in  | -                  | -                  |
| Contributions to accumulation section                     | -                  | -                  |
| Settlements   | -                  | -                  |
| Exchange rate changes                                     | -                  | -                  |
| <i>Fair value of fund assets at end of the year</i>       | 5,521              | 5,386              |



# SAS TRUSTEE CORPORATION

## Notes to the financial statements for the year ended 30 June 2018

### 10. SUPERANNUATION (Continued)

#### Reconciliation of the Defined Benefit Obligation

| SSS   | Economic<br>Entity | Economic<br>Entity |
|---|--------------------|--------------------|
|   | 2018<br>\$'000     | 2017<br>\$'000     |
| <i>Present value of defined benefit obligation at beginning of the year</i> | 8,985              | 9,851              |
| Current service cost  | -                  | 35                 |
| Interest cost   | 231                | 191                |
| Contributions by participants   | -                  | 13                 |
| Actuarial (gains)/losses arising from changes in demographic assumptions    | 52                 | -                  |
| Actuarial (gains)/losses arising from changes in financial assumptions      | (34)               | (869)              |
| Actuarial (gains)/losses arising from liability experience                  | (72)               | 1,316              |
| Benefits paid   | (371)              | (1,608)            |
| Taxes, premiums and expenses paid   | 57                 | 56                 |
| Transfers in  | -                  | -                  |
| Contributions to accumulation section                                       | -                  | -                  |
| Past service cost   | -                  | -                  |
| Settlements   | -                  | -                  |
| Exchange rate changes   | -                  | -                  |
| <i>Present value of defined benefit obligation at end of the year</i>       | 8,848              | 8,985              |

#### Reconciliation for the effect of the asset ceiling

| SSS  | Economic<br>Entity | Economic<br>Entity |
|--|--------------------|--------------------|
|  | 2018<br>\$'000     | 2017<br>\$'000     |
| <i>Adjustment for effect of asset ceiling at beginning of the year</i> | -                  | -                  |
| Change in the effect of asset ceiling                                  | -                  | -                  |
| <i>Adjustment for effect of asset ceiling at end of the year</i>       | -                  | -                  |

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 10. SUPERANNUATION (Continued)

##### *Fair value of Fund assets*

All of the Fund's assets are invested by STC (in its capacity as the Trustee Board) at arm's length through independent fund managers and assets are not separately invested for each participating employer. As such, the following disclosures relate to the Pooled Fund's total assets.

| 2018<br>Asset category       | Total<br>(\$m) | Level 1<br>(\$m) | Level 2<br>(\$m) | Level 3<br>(\$m) |
|------------------------------|----------------|------------------|------------------|------------------|
| Short term securities        | 4,401          | 2,185            | 2,216            | -                |
| Australian fixed interest    | 2,235          | 42               | 2,193            | -                |
| International fixed interest | 1,396          | 8                | 1,388            | -                |
| Australian equities          | 9,272          | 8,720            | 549              | 3                |
| International equities       | 10,891         | 8,499            | 2,391            | 1                |
| Property                     | 3,711          | 788              | 609              | 2,314            |
| Alternatives                 | 9,895          | 421              | 5,333            | 4,141            |
| <b>Total</b>                 | <b>41,801</b>  | <b>20,663</b>    | <b>14,679</b>    | <b>6,459</b>     |

| 2017<br>Asset category       | Total<br>(\$m) | Level 1<br>(\$m) | Level 2<br>(\$m) | Level 3<br>(\$m) |
|------------------------------|----------------|------------------|------------------|------------------|
| Short term securities        | 3,087          | 3,077            | 10               | -                |
| Australian fixed interest    | 2,501          | 1                | 2,500            | -                |
| International fixed interest | 481            | -                | 481              | -                |
| Australian equities          | 9,447          | 8,948            | 499              | -                |
| International equities       | 12,054         | 9,034            | 3,020            | -                |
| Property                     | 3,453          | 926              | 533              | 1,994            |
| Alternatives                 | 9,066          | 391              | 5,068            | 3,607            |
| <b>Total</b>                 | <b>40,089</b>  | <b>22,377</b>    | <b>12,111</b>    | <b>5,601</b>     |

##### Note

- Level 1 refers to assets and liabilities for which there are quoted prices in active markets for identical assets and liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 refers to assets and liabilities that have significant valuation inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets and liabilities in this level are notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are not available in active markets for identical assets or liabilities.
- Level 3 refers to assets and liabilities that are not based on observable market data. The assets and liabilities in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 10. SUPERANNUATION (Continued)

*The percentage of fund assets invested in each asset class at 30 June*

|                           | 2018 | 2017 |
|---------------------------|------|------|
| Short term securities     | 11%  | 8%   |
| Australian fixed interest | 5%   | 6%   |
| Overseas fixed interest   | 3%   | 1%   |
| Australian equities       | 22%  | 24%  |
| International equities    | 26%  | 30%  |
| Property                  | 9%   | 9%   |
| Alternatives              | 24%  | 22%  |
|                           | 100% | 100% |

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

The Fund does not hold any financial instruments issued by STC.

*Significant actuarial assumptions as at 30 June*

|  | 2018   | 2017   |
|--|--|--|
| Discount rate  | 2.65%  | 2.62%  |
| Salary increase rate (excluding promotional increases) | 2.70%  | 2.50%  |
| Rate of CPI increase                                   | 2.25%  | 2.00%  |
| Pensioner mortality                                    | as per the 2018<br>Actuarial Investigation<br>of the Pooled Fund | as per the 2015<br>Actuarial Investigation of<br>the Pooled Fund |

# SAS TRUSTEE CORPORATION

## Notes to the financial statements for the year ended 30 June 2018

### 10. SUPERANNUATION (Continued)

#### *Sensitivity analysis*

The total defined benefit obligation as at 30 June 2018 under several scenarios is presented below. Scenarios A to F relate to the sensitivity of the total defined benefit obligation to economic assumptions. Scenarios G and H relate to sensitivity to demographic assumptions.

|                                     | Base Case | Scenario A<br>-1.0%<br>Discount rate | Scenario B<br>+1.0%<br>Discount rate |
|-------------------------------------|-----------|--------------------------------------|--------------------------------------|
| Discount rate                       | 2.65%     | 1.65%                                | 3.65%                                |
| Defined benefit obligation (\$'000) | 8,848     | 10,180                               | 7,745                                |

|                                     | Base Case | Scenario C<br>+0.5%<br>Rate of CPI<br>Increase | Scenario D<br>-0.5%<br>Rate of CPI<br>Increase |
|-------------------------------------|-----------|--|--|
| Rate of CPI increase                | 2.25%     | 2.75%  | 1.75%  |
| Defined benefit obligation (\$'000) | 8,848     | 9,493  | 8,256  |

|                                     | Base Case | Scenario E<br>+0.5%<br>Salary<br>Increase rate | Scenario F<br>-0.5%<br>Salary<br>Increase rate |
|-------------------------------------|-----------|--|--|
| Salary increase rate                | 2.70%     | 3.20%  | 2.20%  |
| Defined benefit obligation (\$'000) | 8,848     | 8,848  | 8,848  |

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 10. SUPERANNUATION (Continued)

##### *Sensitivity analysis (Continued)*

|                                     | Base Case | Scenario G<br>-5.0%<br>Pensioner<br>mortality rates | Scenario H<br>+5.0%<br>Pensioner<br>mortality rates |
|-------------------------------------|-----------|---|---|
| Defined benefit obligation (\$'000) | 8,848     | 8,978   | 8,736   |

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

##### *Asset-liability matching strategies*

STC, in its capacity as trustee of the Fund, ensures it maintains an appropriate asset strategy to pay benefits as the benefits fall due.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 10. SUPERANNUATION (Continued)

##### *Funding arrangements*

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. The triennial review as at 30 June 2018 is in progress and will be completed by end of 2018. Contribution rates are set after discussions between STC in its capacity as trustee of the Scheme and NSW Treasury. STC in its capacity of trustee of the scheme reviews funding positions annually and contributions may be adjusted in response to the review.

##### *Surplus/deficit*

The following is a summary of the 30 June financial position of the scheme calculated in accordance with AASB 1056 Superannuation Entities.

|                                 | Economic Entity | Economic Entity |
|---------------------------------|-----------------|-----------------|
| 2018                            | 2018            | 2017            |
| \$'000                          | \$'000          | \$'000          |
| Accrued benefits                | 4,950           | 4,938           |
| Net market value of fund assets | (5,521)         | (5,386)         |
| <b>Net (surplus)/deficit</b>    | <b>(571)</b>    | <b>(448)</b>    |

##### *Funding arrangements for employer contributions – Recommended contribution rates*

|                                  | Economic Entity                  | Economic Entity                  |
|----------------------------------|----------------------------------|----------------------------------|
| 2018                             | 2018                             | 2017                             |
| Multiple of member contributions | Multiple of member contributions | Multiple of member contributions |
| -                                | -                                | -                                |

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 10. SUPERANNUATION (Continued)

##### *Funding arrangements for employer contributions – Economic Assumptions*

| Weighted average assumptions   | 2018 and following                              |
|--|---|
| Expected rate of return on fund assets backing current pension liabilities | 7.4%  |
| Expected rate of return on fund assets backing other liabilities           | 6.4%  |
| Expected salary increase rate  | 2.7% to 30 June 2019 then<br>3.2% pa thereafter |
| Expected rate of CPI increase  | 2.2%  |

##### *Funding arrangements for employer contributions – Nature of asset/liability:*

If a surplus exists in the Economic Entity's interest in the fund, the Economic Entity may be able to take advantage of it in the form of a reduction in required contribution rate. STC in its capacity as the schemes' trustee and NSW Treasury must approve such a reduction. If a deficiency exists the Economic Entity is responsible for any difference between its share of scheme assets and the defined benefit obligation.

The weighted average duration of the defined benefit obligation is 12.6 years.

##### *Expected contributions*

| SSS                             | Economic Entity | Economic Entity |
|---------------------------------|-----------------|-----------------|
|                                 | 2018            | 2017            |
| Expected Employer Contributions | -               | -               |

# SAS TRUSTEE CORPORATION

## Notes to the financial statements for the year ended 30 June 2018

### 11. CASH FLOW INFORMATION

#### Reconciliation of the Operating Result to Net Cash Used in Operating Activities

|   | Economic<br>Entity<br>2018<br>\$'000<br>Inflows/<br>(Outflows) | Economic<br>Entity<br>2017<br>\$'000<br>Inflows/<br>(Outflows) | Parent<br>Entity<br>2018<br>\$'000<br>Inflows/<br>(Outflows) | Parent<br>Entity<br>2017<br>\$'000<br>Inflows/<br>(Outflows) |
|---|--|--|--|--|
| <b>Operating Result</b>                             | -  | -  | -  | -  |
| <b>Changes in Assets and Liabilities:</b>           |  |  |  |  |
| <b><u>(Increase)/Decrease in Assets</u></b>         |  |  |  |  |
| Other Current Assets                                | (13)   | (343)  | (13)   | (343)  |
| Receivables   |  |  |  |  |
| - Pooled Fund Schemes                               | 1,849  | 2,727  | 1,849  | 2,727  |
| - Other   | 180  | (3,393)  | (105)  | (3,348)  |
| <b><u>Increase/(Decrease) in Liabilities</u></b>    |  |  |  |  |
| Payables  |  |  |  |  |
| - Administration Fees                               | (191)  | (15)   | (191)  | (15)   |
| - Other   | 316  | 7,259  | 282  | 6,395  |
| Provisions  | (319)  | (819)  |  | -  |
| <b>Net Cash From/(Used) in Operating Activities</b> | <b>1,822</b>   | <b>5,416</b>   | <b>1,822</b>   | <b>5,416</b>   |



## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2018

#### 12. COMMITMENTS

|  | Economic<br>Entity<br>2018<br>\$'000 | Economic<br>Entity<br>2017<br>\$'000 | Parent<br>Entity<br>2018<br>\$'000 | Parent<br>Entity<br>2017<br>\$'000 |
|--|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
|--|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|

##### Lease Commitments

Commitments in relation to non-cancellable operating leases contracted for at balance date but not provided for in the accounts, including goods and services tax:

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| Payable not later than 1 year                        | 1,033        | 995          | 1,033        | 995          |
| Payable later than 1 year and not later than 5 years | 261          | 1,296        | 261          | 1,296        |
| Payable greater than 5 years                         | -            | -            | -            | -            |
|  | <b>1,294</b> | <b>2,291</b> | <b>1,294</b> | <b>2,291</b> |

#### 13. CONTINGENT LIABILITIES

Broadly, two classes of contingent liabilities potentially exist in relation to either STC in its capacity as Trustee of the Pooled Fund, or the Fund itself:

- (i) Legal costs and related future benefit payments, if any, in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases, it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund, and in the case of Police Superannuation Scheme, by the legislation of the scheme which allows the Trustee to make a call on NSW Consolidated Revenues

#### 14. EVENTS AFTER THE REPORTING DATE

There have been no events between 30 June 2018 and the date of approval of these financial statements that would significantly impact the financial statements.

**End of Audited Financial Statements**



## Part G

# Financial statements of the SAS Trustee Staff Agency

(Previously called: SAS Trustee Corporation Division of the Government Service of NSW)

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## INDEPENDENT AUDITOR'S REPORT

### SAS Trustee Corporation Staff Agency

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of SAS Trustee Corporation Staff Agency (the Staff Agency), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Staff Agency as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Staff Agency in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

## **The Chief Executive Officer's Responsibilities for the Financial Statements**

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive Officer determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Staff Agency's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Staff Agency will be dissolved by an Act of Parliament or otherwise cease operations.

## **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
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Staff Agency carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar  
Director, Financial Audit Services

8 October 2018  
SYDNEY

**SAS TRUSTEE CORPORATION STAFF AGENCY**

**ABN 31 683 571 255**


**Statement by Chief Executive Officer**  
for the year ended 30 June 2018

Pursuant to Section 41C of the *Public Finance and Audit Act 1983* I declare that in my opinion the financial statements:

1. give a true and fair view of the financial position of the SAS Trustee Corporation Staff Agency as at 30 June 2018 and financial performance for the year then ended, and
2. have been prepared in accordance with the Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 and the Treasurer's Directions.

Further, I am not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 4<sup>th</sup> day of October 2018.



**John Livanas**  
Chief Executive Officer

**SAS TRUSTEE CORPORATION STAFF AGENCY**

| <b>Statement of Comprehensive Income<br/>for the year ended 30 June 2018</b> | <b>Note</b> | <b>2018<br/>\$'000</b> | <b>2017<br/>\$'000</b> |
|--|-------------|------------------------|------------------------|
| <b>Revenue</b>   |             |                        |                        |
| Personnel Services   |             | <b>6,682</b>           | <b>8,725</b>           |
| <b>Expenses</b>  |             |                        |                        |
| Salaries   |             | <b>5,470</b>           | <b>7,077</b>           |
| Defined contribution superannuation  |             | <b>530</b>             | <b>567</b>             |
| Defined benefit superannuation   |             | <b>94</b>              | <b>105</b>             |
| Annual and long service leave  |             | <b>558</b>             | <b>410</b>             |
| Other  |             | <b>397</b>             | <b>557</b>             |
|  |             | <b>7,049</b>           | <b>8,716</b>           |
| <b>Operating Result</b>  |             | <b>(367)</b>           | <b>9</b>               |
| <b>Other Comprehensive Income</b>  |             |                        |                        |
| <b>Items that will not be reclassified into<br/>Operating Result:</b>        |             |                        |                        |
| Superannuation actuarial re-measurement<br>gains/(losses)                    | <b>7</b>    | <b>367</b>             | <b>(9)</b>             |
| <b>Total Comprehensive Income</b>  |             | <b>-</b>               | <b>-</b>               |

*The accompanying notes form an integral part of the above Statement of Comprehensive Income*



# SAS TRUSTEE CORPORATION STAFF AGENCY

| Statement of Financial Position<br>as at 30 June 2018 | Note | 2018<br>\$'000 | 2017<br>\$'000 |
|---|------|----------------|----------------|
| <b>Current Assets</b>                                 |      |                |                |
| Receivables   | 3    | 4,166          | 4,201          |
| <b>Total Current Assets</b>                           |      | <b>4,166</b>   | <b>4,201</b>   |
| <b>Total Assets</b>                                   |      | <b>4,166</b>   | <b>4,201</b>   |
| <b>Current Liabilities</b>                            |      |                |                |
| Provisions  | 4    | 3,982          | 4,099          |
| <b>Total Current Liabilities</b>                      |      | <b>3,982</b>   | <b>4,099</b>   |
| <b>Non-Current Liabilities</b>                        |      |                |                |
| Provisions  | 4    | 184            | 102            |
| <b>Total Non-Current Liabilities</b>                  |      | <b>184</b>     | <b>102</b>     |
| <b>Total Liabilities</b>                              |      | <b>4,166</b>   | <b>4,201</b>   |
| <b>Net Assets</b>                                     |      |                |                |
| <b>Accumulated Funds</b>                              |      | <b>-</b>       | <b>-</b>       |

The accompanying notes form an integral part of the above Statement of Financial Position

**SAS TRUSTEE CORPORATION STAFF AGENCY**

| Statement of Cash Flows<br>for the year ended 30 June 2018              | 2018<br>\$'000<br>Inflows/(Outflows) | 2017<br>\$'000<br>Inflows/(Outflows) |
|---|--------------------------------------|--------------------------------------|
| <b>Cash Flows from Operating Activities</b>                             |                                      |                                      |
| Receipts  | 6,682                                | 8,725                                |
| Payments to Employees   | (6,682)                              | (8,725)                              |
| Net Operating Cash Flows  | -                                    | -                                    |
| <b>Net Increase/(Decrease) in Cash &amp; Cash<br/>Equivalents</b>       | -                                    | -                                    |
| Cash & Cash Equivalents at the beginning of the<br>Financial Year       | -                                    | -                                    |
| <b>Cash &amp; Cash Equivalents at the End of the<br/>Financial Year</b> | -                                    | -                                    |

The accompanying notes form an integral part of the above Statement of Cash Flows

**SAS TRUSTEE CORPORATION STAFF AGENCY**

| <b>Statement of Changes in Equity<br/>for the year ended 30 June 2018</b> | <b>Note</b> | <b>2018<br/>\$'000</b> | <b>2017<br/>\$'000</b> |
|---|-------------|------------------------|------------------------|
| <b>Balance at 1 July</b>  |             | -                      | -                      |
| Operating Result  |             | (367)                  | 9                      |
| <b>Other Comprehensive Income</b>   |             |                        |                        |
| Superannuation actuarial re-measurement<br>gains/(losses)                 | 7           | 367                    | (9)                    |
| Total Comprehensive Income  |             | -                      | -                      |
| <b>Balance at 30 June</b>   |             | -                      | -                      |

*The accompanying notes form an integral part of the above Statement of Changes in Equity*

## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements for the year ended 30 June 2018

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting entity

The SAS Trustee Corporation Staff Agency (Staff Agency) was established as an Executive Agency under the *Government Sector Employment Act 2013*. It is a not-for-profit entity. It is domiciled in NSW Australia with its office at Level 16, 83 Clarence Street, Sydney.

The Staff Agency is a controlled entity of the SAS Trustee Corporation (STC). The objective of the Staff Agency is to provide personnel services to STC. The Staff Agency is consolidated as part of the STC Economic Entity.

These financial statements were authorised for issue by the Chief Executive Officer of STC on 4<sup>th</sup> October 2018.

##### B. Statement of Compliance and Basis of Preparation

The general purpose financial statements are prepared on an accrual basis and in accordance with the requirements of:

- Australian Accounting Standards and Interpretations
- the *Public Finance and Audit Act 1983*
- the Public Finance and Audit Regulation 2015, and
- the Treasurer's Directions.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. The accounting policies adopted in preparing the financial statements are consistently applied.

##### C. Comparative information

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

##### D. Revenue

Revenue from the rendering of personnel services is recognised when the service is provided to the extent the payroll expenses are incurred.

##### E. Provisions

Provisions include accrued wages, salaries and related on costs payable to the employees and regulatory authorities.

##### F. Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. A receivable is measured at fair value.

## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements

for the year ended 30 June 2018

#### 1. STATEMENT OF ACCOUNTING POLICIES (Continued)

##### G. New accounting standards and interpretations

There have been no new Australian Accounting Standards and Interpretations that became effective for the first time for this reporting period that affected these financial statements.

##### H. Accounting standards issued but not yet effective

At the date of authorisation of the financial statements the following accounting standards have been issued but not yet effective. These standards and interpretations are not expected to materially impact the financial statements.

###### AASB 9 Financial Instruments –

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets and liabilities. The standard first applies for the year ending on or after 30 June 2019. No material changes to these financial statements are expected.

###### AASB 15 Revenue from Contracts with Customers and AASB 2016-8 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities –

AASB 15 includes the core principle that requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard first applies for the year ending 30 June 2020 for Not-for-Profit entities. No material changes to these financial statements are expected.

###### AASB 1058 Income of Not-for-profit Entities –

This standard for Not-for-Profit (NPF) entities will defer income recognition in some circumstances for NFP entities, particularly where there is a performance obligation or any other liability. The standard is effective for the year ending 30 June 2020. No material changes to these financial statements are expected.

###### AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement –

The standard makes amendments to AASB 119 Employee Benefit in connection with accounting for plan amendments, curtailments and settlements. This standard is effective for the year ending 30 June 2020. No material changes to these financial statements are expected.

##### I. Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements for the year ended 30 June 2018. The defined benefit superannuation liabilities have been actuarially determined. The key assumptions are disclosed in note 7.

##### J. Financial instruments

Financial instruments give rise to positions that are financial assets or liabilities. All classes of instruments are initially recorded at cost and with receivables and payables being subsequently measured at amortised cost. Impairment losses occurring on financial instruments are treated as an expense in the period in which it occurs.

## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements for the year ended 30 June 2018

#### 2. OPERATING RESULT

The Staff Agency meets the payroll expenses for its employees and receives reimbursement from STC. It did not make any payments to consultants in the year ended 30 June 2018 or the year ended 30 June 2017.

The audit fee for the Staff Agency of \$6,000 (2017: \$5,500) is met by STC. The auditor provided audit services of the financial statements.

| 3. RECEIVABLES                         | 2018<br>\$'000         | 2017<br>\$'000         |
|--|------------------------|------------------------|
| <b>Current</b>                         |                        |                        |
| Receivable – From STC                  | 4,166                  | 4,201                  |
|  | <b>4,166</b>           | <b>4,201</b>           |
| <b>4. PROVISIONS</b>                   | <b>2018<br/>\$'000</b> | <b>2017<br/>\$'000</b> |
| <b>Current</b>                         |                        |                        |
| Employee Benefits                      |                        |                        |
| - Annual Leave                         | 483                    | 357                    |
| - Long Service Leave                   | 173                    | 143                    |
| Superannuation (refer Note 7)          |                        |                        |
| - SSS                                  | 3,326                  | 3,599                  |
|  | <b>3,982</b>           | <b>4,099</b>           |
| <b>Non-current</b>                     |                        |                        |
| Employee Benefits – Long Service Leave | 184                    | 102                    |

#### Employee Benefits

##### **Wages, salaries and annual leave**

The provision for employee benefits relating to wages, salaries and annual leave represents the amount which the Staff Agency has a present obligation to pay resulting from employees' services provided up to the balance date. These provisions are expected to be settled within 12 months and are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Such measurement provides a reliable estimate of the liability.

##### **Long service leave**

The liability for employee benefits relating to long service leave is measured at their discounted value using the risk-free rate mandated by NSW Treasury. Such measurement provides a reliable estimate of the liability.

##### **Superannuation**

Any unfunded superannuation liability is recognised as a liability in the Statement of Financial Position and amounts representing pre-paid superannuation contributions are recognised as an asset. For the year ended 30 June 2018, the Staff Agency met in full the total superannuation liabilities for its employees. Any actuarial gains and losses are recognised in comprehensive income in the year in which the gain or loss occurs.

## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements for the year ended 30 June 2018

#### 5. FAIR VALUE AND FINANCIAL RISKS

Unless subject to specific measurement requirements of relevant Accounting Standards, all assets and liabilities are measured and reported at fair value.

The Staff Agency is exposed to minimal financial risks as it recovers all its costs from STC, its parent entity.

#### 6. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL COMPENSATION

The following were key management personnel of the Staff Agency during the year and in the comparative year.

##### *Executive Officers*

Mr R Hedley (from 1 October 2016)  
Mr J Livanas  
Ms A Lowe (until 26 October 2016)  
Mr J Narayan  
Mr A Parapuram (from 30 November 2016)  
Mr N Patel (from 1 October 2016)  
Ms L Rasmussen (until 30 November 2016)  
Ms A Samuel  
Ms N Siratkov  
Ms L Tsitsis (until 30 November 2016)

The key management personnel compensation is as follows

|                                   | 2018<br>\$'000 | 2017<br>\$'000 |
|-----------------------------------|----------------|----------------|
| Short-term employee benefits      | 2,430          | 2,521          |
| Termination benefits              | -              | 1,568          |
| Other long term employee benefits | 23             | 19             |
|                                   | <b>2,453</b>   | <b>4,108</b>   |

## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements for the year ended 30 June 2018

#### 7. SUPERANNUATION

The Staff Agency participates in the State Superannuation Scheme (SSS) closed defined benefit superannuation scheme for some of its staff.

The scheme is a defined benefit scheme, whereby the benefit on retirement is directly related to a member's unit entitlement as dictated by their final salary. Members receive a pension on retirement and disablement. Upon death, there is provision for a reversionary pension benefit to an eligible spouse. If a member elects payment of a withdrawal benefit, this is paid as a lump sum and there is no further benefit payable (i.e. spouse entitlement).

The SSS scheme is closed to new members.

#### *Description of the scheme's regulatory framework*

The SSS scheme in the Pooled Fund is established and governed by the *Superannuation Act 1916*.

The scheme in the Pooled Fund is exempt public sector superannuation schemes under the Commonwealth *Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. This provision is in addition to other legislative obligations on the Trustee Board and internal processes that monitor the STC's (in its capacity as Trustee Board) adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The triennial review as at 30 June 2018 is in progress and will be completed by end of 2018.

#### *Description of other entities' responsibilities for the governance of the Fund*

STC (in its capacity as Trustee Board) is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. STC (in its capacity as Trustee Board) has the following roles –

- administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- management and investment of the Fund assets; and
- compliance with other applicable regulations.



## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements

for the year ended 30 June 2018

#### 7. SUPERANNUATION (Continued)

##### *Description of risks*

There are a number of risks to which the Fund exposes the Staff Agency as a participating employer. The more significant risks relating to the defined benefits are –

- investment risk - The risk that investment returns will be lower than assumed and the participating employer will need to increase contributions to offset this shortfall
- longevity risk – The risk that pensioners live longer than assumed, increasing future pensions
- salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional contributions from the participating employer
- legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

##### *Description of significant events*

There were no fund amendments, curtailments or settlements during the year.

**The following information has been prepared by the Scheme actuary.**

##### *Reconciliation of the Net Defined Benefit Liability/(Asset)*

| SSS  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>Net Defined Benefit Liability/(Asset) at start of year</b>            | 3,599          | 3,485          |
| Current service cost   | -              | 35             |
| Net interest on the net defined benefit liability/(asset)                | 94             | 69             |
| Past service cost  | -              | -              |
| (Gains)/losses arising from settlements                                  | -              | -              |
| Actual returns on Fund assets less interest income                       | (313)          | (437)          |
| Actuarial (gains)/losses arising from changes in demographic assumptions | 52             | -              |
| Actuarial (gains)/losses arising from changes in financial assumptions   | (34)           | (869)          |
| Actuarial (gains)/losses arising from liability experience               | (72)           | 1,316          |
| Adjustment for effect of asset ceiling                                   | -              | -              |
| Employer contributions   | -              | -              |
| <b>Net Defined Benefit Liability/(Asset) at end of year</b>              | 3,326          | 3,599          |

The Superannuation actuarial re-measurement gain of \$367,000 (2017 loss of \$9,000) comprises of actuarial gains/losses arising from changes to demographic assumptions, financial assumptions and liability experience.

This amount is disclosed under Other Comprehensive Income in compliance with AASB119 requirements.

# SAS TRUSTEE CORPORATION STAFF AGENCY

## Notes to the financial statements for the year ended 30 June 2018

### 7. SUPERANNUATION (Continued)

#### Reconciliation of the fair value of fund assets

| SSS   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <i>Fair value of fund assets at beginning of the year</i> | 5,386          | 6,366          |
| Interest income   | 136            | 122            |
| Actual return on Fund assets less interest income         | 313            | 438            |
| Employer contributions                                    | -              | -              |
| Contributions by participants                             | -              | 12             |
| Benefits paid   | (371)          | (1,608)        |
| Taxes, premiums and expenses paid                         | 57             | 56             |
| Transfers in  | -              | -              |
| Contributions to accumulation section                     | -              | -              |
| Settlements   | -              | -              |
| Exchange rate changes                                     | -              | -              |
| <i>Fair value of fund assets at end of the year</i>       | 5,521          | 5,386          |

#### Reconciliation of the Defined Benefit Obligation

| SSS   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <i>Present value of defined benefit obligation at beginning of the year</i> | 8,985          | 9,851          |
| Current service cost  | -              | 35             |
| Interest cost   | 231            | 191            |
| Contributions by participants   | -              | 13             |
| Actuarial (gains)/losses arising from changes in demographic assumptions    | 52             | -              |
| Actuarial (gains)/losses arising from changes in financial assumptions      | (34)           | (869)          |
| Actuarial (gains)/losses arising from liability experience                  | (72)           | 1,316          |
| Benefits paid   | (371)          | (1,609)        |
| Taxes, premiums and expenses paid   | 57             | 56             |
| Transfers in  | -              | -              |
| Contributions to accumulation section                                       | -              | -              |
| Past service cost   | -              | -              |
| Settlements   | -              | -              |
| Exchange rate changes   | -              | -              |
| <i>Present value of defined benefit obligation at end of the year</i>       | 8,848          | 8,985          |

#### Reconciliation for the effect of the asset ceiling

| SSS  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <i>Adjustment for effect of asset ceiling at beginning of the year</i> | -              | -              |
| Change in the effect of asset ceiling                                  | -              | -              |
| <i>Adjustment for effect of asset ceiling at end of the year</i>       | -              | -              |

## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements for the year ended 30 June 2018

#### 7. SUPERANNUATION (Continued)

##### *Fair value of Fund assets*

All of the Fund's assets are invested by STC (in its capacity as the Trustee Board) at arm's length through independent fund managers and assets are not separately invested for each participating employer. As such, the following disclosures relate to the Pooled Fund's total assets.

| 2018<br>Asset category       | Total<br>(\$m) | Level 1<br>(\$m) | Level 2<br>(\$m) | Level 3<br>(\$m) |
|------------------------------|----------------|------------------|------------------|------------------|
| Short term securities        | 4,401          | 2,185            | 2,216            | -                |
| Australian fixed interest    | 2,235          | 42               | 2,193            | -                |
| International fixed interest | 1,396          | 8                | 1,388            | -                |
| Australian equities          | 9,272          | 8,720            | 549              | 3                |
| International equities       | 10,891         | 8,499            | 2,391            | 1                |
| Property                     | 3,711          | 788              | 609              | 2,314            |
| Alternatives                 | 9,895          | 421              | 5,333            | 4,141            |
| <b>Total</b>                 | <b>41,801</b>  | <b>20,663</b>    | <b>14,679</b>    | <b>6,459</b>     |

| 2017<br>Asset category       | Total<br>(\$m) | Level 1<br>(\$m) | Level 2<br>(\$m) | Level 3<br>(\$m) |
|------------------------------|----------------|------------------|------------------|------------------|
| Short term securities        | 3,087          | 3,077            | 10               | -                |
| Australian fixed interest    | 2,501          | 1                | 2,500            | -                |
| International fixed interest | 481            | -                | 481              | -                |
| Australian equities          | 9,447          | 8,948            | 499              | -                |
| International equities       | 12,054         | 9,034            | 3,020            | -                |
| Property                     | 3,453          | 926              | 533              | 1,994            |
| Alternatives                 | 9,066          | 391              | 5,068            | 3,607            |
| <b>Total</b>                 | <b>40,089</b>  | <b>22,377</b>    | <b>12,111</b>    | <b>5,601</b>     |

##### Note

- Level 1 refers to assets and liabilities for which there are quoted prices in active markets for identical assets and liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 refers to assets and liabilities that have significant valuation inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets and liabilities in this level are notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are not available in active markets for identical assets or liabilities.
- Level 3 refers to assets and liabilities that are not based on observable market data. The assets and liabilities in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements for the year ended 30 June 2018

#### 7. SUPERANNUATION (Continued)

*The percentage of fund assets invested in each asset class at 30 June*

|                           | 2018 | 2017 |
|---------------------------|------|------|
| Short term securities     | 11%  | 8%   |
| Australian fixed interest | 5%   | 6%   |
| Overseas fixed interest   | 3%   | 1%   |
| Australian equities       | 22%  | 24%  |
| International equities    | 26%  | 30%  |
| Property                  | 9%   | 9%   |
| Alternatives              | 24%  | 22%  |
|                           | 100% | 100% |

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

The Fund does not hold any financial instruments issued by the staff agency.

*Significant actuarial assumptions as at 30 June*

|  | 2018   | 2017   |
|--|--|--|
| Discount rate  | 2.65%  | 2.62%  |
| Salary increase rate (excluding promotional increases) | 2.70%  | 2.50%  |
| Rate of CPI increase                                   | 2.25%  | 2.00%  |
| Pensioner mortality                                    | as per the 2018 Actuarial Investigation of the Pooled Fund | as per the 2015 Actuarial Investigation of the Pooled Fund |

## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements for the year ended 30 June 2018

#### 7. SUPERANNUATION (Continued)

##### *Sensitivity analysis*

The total defined benefit obligation as at 30 June 2018 under several scenarios is presented below. Scenarios A to F relate to the sensitivity of the total defined benefit obligation to economic assumptions. Scenarios G and H relate to sensitivity to demographic assumptions.

|                                     | Base Case | Scenario A<br>-1.0%<br>Discount rate | Scenario B<br>+1.0%<br>Discount rate |
|-------------------------------------|-----------|--------------------------------------|--------------------------------------|
| Discount rate                       | 2.65%     | 1.65%                                | 3.65%                                |
| Defined benefit obligation (\$'000) | 8,848     | 10,180                               | 7,745                                |

|                                     | Base Case | Scenario C<br>+0.5%<br>Rate of CPI<br>Increase | Scenario D<br>-0.5%<br>Rate of CPI<br>Increase |
|-------------------------------------|-----------|--|--|
| Rate of CPI increase                | 2.25%     | 2.75%  | 1.75%  |
| Defined benefit obligation (\$'000) | 8,848     | 9,493  | 8,256  |

|                                     | Base Case | Scenario E<br>+0.5%<br>Salary<br>Increase rate | Scenario F<br>-0.5%<br>Salary<br>Increase rate |
|-------------------------------------|-----------|--|--|
| Salary increase rate                | 2.70%     | 3.20%  | 2.20%  |
| Defined benefit obligation (\$'000) | 8,848     | 8,848  | 8,848  |



## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements for the year ended 30 June 2018

#### 7. SUPERANNUATION (Continued) *Sensitivity analysis (Continued)*

|                                     | Base Case | Scenario G<br>-5.0%<br>Pensioner<br>mortality rates | Scenario H<br>+2.0%<br>Pensioner<br>mortality rates |
|-------------------------------------|-----------|---|---|
| Defined benefit obligation (\$'000) | 8,848     | 8,978   | 8,736   |

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

#### Asset-liability matching strategies

STC, in its capacity as trustee of the Fund, ensures it maintains an appropriate asset strategy to pay benefits as the benefits fall due.

#### Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. The triennial review as at 30 June 2018 is in progress and will be completed by the end of 2018. Contribution rates are set after discussions between STC in its capacity as trustee of the Scheme and NSW Treasury. STC in its capacity of trustee of the scheme reviews funding positions annually and contributions may be adjusted in response to the review.

# SAS TRUSTEE CORPORATION STAFF AGENCY

## Notes to the financial statements for the year ended 30 June 2018

### 7. SUPERANNUATION (Continued)

#### *Surplus/deficit*

The following is a summary of the 30 June financial position of the scheme calculated in accordance with AASB 1056 Superannuation Entities.

| SSS                             | 2018<br>\$'000 | 2017<br>\$'000 |
|---------------------------------|----------------|----------------|
| Accrued benefits                | 4,950          | 4,938          |
| Net market value of fund assets | (5,521)        | (5,386)        |
| <i>Net (surplus)/deficit</i>    | (571)          | (448)          |

#### *Funding arrangements for employer contributions – Recommended contribution rates*

| SSS | 2018<br>Multiple of member<br>contributions | 2017<br>Multiple of member<br>contributions |
|-----|---|---|
|     | -   | -   |

## SAS TRUSTEE CORPORATION STAFF AGENCY

### Notes to the financial statements for the year ended 30 June 2018

#### 7. SUPERANNUATION (Continued)

##### *Funding arrangements for employer contributions – Economic Assumptions*

| Weighted average assumptions   | 2018 and following                              |
|--|---|
| Expected rate of return on fund assets backing current pension liabilities | 7.4%  |
| Expected rate of return on fund assets backing other liabilities           | 6.4%  |
| Expected salary increase rate  | 2.7% to 30 June 2019 then<br>3.2% pa thereafter |
| Expected rate of CPI increase  | 2.2%  |

##### Funding arrangements for employer contributions – Nature of asset/liability

If a surplus exists in the Staff Agency's interest in the fund, the Staff Agency may be able to take advantage of it in the form of a reduction in required contribution rate. STC in its capacity as the schemes' trustee and NSW Treasury must approve such a reduction. If a deficiency exists the Staff Agency is responsible for any difference between its share of scheme assets and the defined benefit obligation.

The weighted average duration of the defined benefit obligation is 12.6 years.

##### *Expected contributions*

| SSS                             | 2018 | 2017 |
|---------------------------------|------|------|
| Expected Employer Contributions | -    | -    |



## **SAS TRUSTEE CORPORATION STAFF AGENCY**

**Notes to the financial statements**  
for the year ended 30 June 2018

### **8. COMMITMENTS FOR CAPITAL ITEMS**

The Staff Agency had no commitments for capital items at 30 June 2018 or at 30 June 2017.

### **9. CONTINGENT LIABILITIES**

The Staff Agency did not identify any contingent liabilities at 30 June 2018 or at 30 June 2017.

### **10. EVENTS AFTER THE REPORTING DATE**

There have been no events between 30 June 2018 and the date of approval of these financial statements that would significantly impact the financial statements.

**End of Audited Financial Statements**



## Part G

# Financial statements of the SAS Trustee Corporation Pooled Fund

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## INDEPENDENT AUDITOR'S REPORT

### SAS Trustee Corporation Pooled Fund

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of SAS Trustee Corporation Pooled Fund (the Fund), which comprise the statement of financial position as at 30 June 2018, the income statement, statement of changes in member benefits, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 June 2018, and the results of its operations, changes in equity, changes in members' benefits and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

## **The Trustee's Responsibilities for the Financial Statements**

The Trustee of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Trustee determines is necessary to enable the preparation and fair presentation of the 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 Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Fund will be dissolved by an Act of Parliament or otherwise cease operations.

## **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
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)  
The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Fund carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar  
Director, Financial Audit Services

8 October 2018  
SYDNEY

## SAS TRUSTEE CORPORATION POOLED FUND

ABN 29 239 066 746

### Statement by Members of the Trustee Board


For the year ended 30 June 2018


Pursuant to section 41C of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we state that in our opinion the financial statements:

1. give a true and fair view of the financial position of the Pooled Fund as at 30 June 2018 and income statement, statement of changes in member benefits, statement of changes in equity and statement of cash flows for the year ended 30 June 2018, and
2. have been prepared in accordance with the Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983*, and the Public Finance and Audit Regulation 2015.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 4<sup>th</sup> day of October 2018.

  
**Nicholas Johnson**  
Chair  
SAS Trustee Corporation

  
**Claire Keating**  
Board Member and Chair of the Risk, Audit  
and Compliance Committee  
SAS Trustee Corporation

# SAS TRUSTEE CORPORATION POOLED FUND

| Statement of Financial Position<br>As at 30 June 2018 | Note  | 2018<br>\$m     | 2017<br>\$m     |
|---|-------|-----------------|-----------------|
| <b>Assets</b>   |       |                 |                 |
| Cash and cash equivalents                             |       | 20              | 36              |
| Receivables   | 3     | 413             | 394             |
| Employer sponsor receivable                           | 4     | 2,545           | 2,741           |
| Short term securities                                 |       | 3,890           | 4,793           |
| Australian fixed interest                             |       | 2,256           | 2,477           |
| International fixed interest                          |       | 171             | 489             |
| Australian equities                                   |       | 8,968           | 9,291           |
| International equities                                |       | 10,682          | 12,096          |
| Property - indirect                                   |       | 1,730           | 1,687           |
| Investment properties - direct                        | 6(a)  | 2,049           | 1,929           |
| Infrastructure and other alternatives                 |       | 13,196          | 9,229           |
| Net derivative assets                                 | 7     | 6               | 131             |
| Other assets  |       | 1               | 1               |
| <b>Total assets</b>                                   |       | <b>45,927</b>   | <b>45,294</b>   |
| <b>Liabilities</b>                                    |       |                 |                 |
| Payables  | 5     | 111             | 211             |
| Income tax payable                                    |       | 173             | 141             |
| Deferred tax liabilities                              | 13(b) | 77              | 57              |
| <b>Total liabilities excluding member benefits</b>    |       | <b>361</b>      | <b>409</b>      |
| <b>Net assets available for member benefits</b>       |       | <b>45,566</b>   | <b>44,885</b>   |
| <b>Member liabilities</b>                             |       |                 |                 |
| Defined benefit member liabilities                    | 8     | (58,987)        | (59,153)        |
| <b>Total member liabilities</b>                       |       | <b>(58,987)</b> | <b>(59,153)</b> |
| <b>Total net liabilities</b>                          |       | <b>(13,421)</b> | <b>(14,268)</b> |
| <b>Equity</b>   |       |                 |                 |
| Defined benefits deficit                              |       | (13,421)        | (14,268)        |
| <b>Total equity</b>                                   |       | <b>(13,421)</b> | <b>(14,268)</b> |

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



# SAS TRUSTEE CORPORATION POOLED FUND

| <b>Income Statement<br/>For the Year Ended 30 June 2018</b> | <b>Note</b> | <b>2018<br/>\$m</b> | <b>2017<br/>\$m</b> |
|---|-------------|---------------------|---------------------|
| <b>Investment income</b>                                    |             |                     |                     |
| Interest revenue  |             | 163                 | 117                 |
| Dividend revenue  |             | 644                 | 713                 |
| Distribution revenue from unit trusts                       |             | 720                 | 665                 |
| Net rentals from investment property                        | 6(b)        | 100                 | 100                 |
| Other revenue   |             | 38                  | 59                  |
| Change in fair value of investments                         |             | 2,196               | 2,421               |
| <b>Total revenue</b>  | <b>11</b>   | <b>3,861</b>        | <b>4,075</b>        |
| Investment expenses   |             | (143)               | (148)               |
| Administration expenses                                     |             | (36)                | (39)                |
| Other operating expenses                                    |             | (1)                 | (1)                 |
| <b>Total expenses</b>                                       |             | <b>(180)</b>        | <b>(188)</b>        |
| <b>Operating result</b>                                     |             | <b>3,681</b>        | <b>3,887</b>        |
| Net change in defined benefit member benefits               |             | (2,930)             | (3,151)             |
| <b>Operating result before income tax expense</b>           |             | <b>751</b>          | <b>736</b>          |
| Income tax benefit  | 13(a)       | 96                  | 151                 |
| <b>Operating result after income tax</b>                    |             | <b>847</b>          | <b>887</b>          |

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

## SAS TRUSTEE CORPORATION POOLED FUND

| Statement of Changes in Member Benefits<br>For the Year Ended 30 June 2018 | Note | 2018<br>\$m   | 2017<br>\$m |
|--|------|---------------|-------------|
| Opening balance at 1 July  |      | 59,153        | 59,122      |
| Employer contributions   | 10   | 1,922         | 1,802       |
| Member contributions   | 10   | 255           | 291         |
| Income tax on contributions  |      | (284)         | (264)       |
| <b>Net after tax contributions</b>   |      | <b>1,893</b>  | 1,829       |
| Benefits paid to members   |      | (4,794)       | (4,825)     |
| Net change in member benefits to be funded by employers                    |      | (196)         | (124)       |
| Net change in defined benefit member benefits                              |      | 2,930         | 3,151       |
| <b>Closing balance at 30 June</b>  |      | <b>58,987</b> | 59,153      |

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

# SAS TRUSTEE CORPORATION POOLED FUND

| Statement of Changes in Equity for<br>the Year Ended 30 June 2018 | 2018                        | 2017                        |
|---|-----------------------------|-----------------------------|
|   | \$m<br>Surplus/(deficiency) | \$m<br>Surplus/(deficiency) |
| Opening balance at 1 July   | (14,268)                    | (15,155)                    |
| Operating result after income tax                                 | 847                         | 887                         |
| Closing balance at 30 June  | (13,421)                    | (14,268)                    |

*The above Statement of Changes in Reserves should be read in conjunction with the accompanying Notes.*

# SAS TRUSTEE CORPORATION POOLED FUND

| Statement of Cash Flows<br>For the year ended 30 June 2018   | Note      | 2018<br>\$m    | 2017<br>\$m    |
|--|-----------|----------------|----------------|
| <b>Cash flows from operating activities</b>                  |           |                |                |
| Interest received  |           | 150            | 127            |
| Dividends received   |           | 656            | 718            |
| Distributions received from unit trusts                      |           | 657            | 656            |
| Net rentals received from investment property                |           | 100            | 94             |
| Other receipts   |           | 34             | 54             |
| Investment expenses paid                                     |           | (145)          | (167)          |
| Trustee administration expenses paid                         |           | (38)           | (42)           |
| Other expenses paid  |           | -              | (1)            |
| Income tax (paid)/refund                                     |           | 129            | 142            |
| <b>Net cash inflows/(outflows) from operating activities</b> | <b>20</b> | <b>1,543</b>   | <b>1,581</b>   |
| <b>Cash flows from investing activities</b>                  |           |                |                |
| Purchase of investments                                      |           | (32,079)       | (25,625)       |
| Proceeds from sale of investments                            |           | 33,395         | 27,110         |
| <b>Net cash inflows/(outflows) from investing activities</b> |           | <b>1,316</b>   | <b>1,485</b>   |
| <b>Cash flows from financing activities</b>                  |           |                |                |
| Employer contributions received                              |           | 1,912          | 1,802          |
| Member contributions received                                |           | 266            | 302            |
| Benefits paid to members                                     |           | (4,789)        | (4,908)        |
| Income tax paid on contributions                             |           | (264)          | (238)          |
| <b>Net Cash inflows/(outflows) from financing activities</b> |           | <b>(2,875)</b> | <b>(3,042)</b> |
| <b>Net increase/(decrease) in cash</b>                       |           | <b>(16)</b>    | <b>24</b>      |
| <b>Cash at the beginning of the year</b>                     |           | <b>36</b>      | <b>12</b>      |
| <b>Cash at the end of the year</b>                           |           | <b>20</b>      | <b>36</b>      |

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

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2018

#### 1. THE POOLED FUND

The SAS Trustee Corporation Pooled Fund (the Fund) was established under the *Superannuation Administration Act 1996* (the Act) and is governed by various Acts of the New South Wales Parliament. The schemes of the Fund comprise the State Authorities Non-contributory Superannuation Scheme (SANCS), the State Superannuation Scheme (SSS) and the Police Superannuation Scheme (PSS), which are defined benefit plans, and the State Authorities Superannuation Scheme (SASS), which has defined benefit members with some defined contribution components. All schemes in the Fund were closed by 1992.

These financial statements are general purpose financial statements of the Fund as a reporting entity. SAS Trustee Corporation (STC) is the trustee and holds in trust all assets of the Fund. STC is responsible for the administration of the schemes and in 2017 appointed Mercer Administration Services (Australia) Pty Ltd to provide administration services. NSW Treasury Corporation (TCorp) is the mandated investment manager and provides funds management services in relation to the Trustee Selection Strategy, which primarily invests in defined benefit assets. JP Morgan Chase Bank NA is the Fund's custodian for investments and related cash.

The Trustee has engaged investment managers to manage the Fund's investments in accordance with the provisions set out in the Investment Management Agreements.

The Fund is domiciled in NSW Australia with a registered address at Level 16, 83 Clarence Street Sydney, NSW, 2000.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### a) Statement of Compliance

The financial statements are general purpose financial statements and are prepared in accordance with:

- the requirements of Australian Accounting Standard AASB 1056 *Superannuation Entities* (AASB 1056)
- the requirements of other Australian Accounting Standards and Interpretations
- the *Public Finance and Audit Act 1983*
- the Public Finance and Audit Regulation 2015.

The Trustee Board has determined that the Fund is a not-for-profit entity for financial reporting purposes. The financial statements were authorised for issue by the Trustee Board on 4 October 2018.

All investment assets are valued at fair values. All other assets and other liabilities are recorded at historical cost except for the following:

- employer sponsor receivables which are measured at its intrinsic value as per AASB 1056
- defined benefit member liabilities which are measured based on a portfolio able to generate returns to pay them as they become due as per AASB 1056
- income taxes which is in accordance with AASB 112.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Fund has multiple investments it controls. Consolidated financial statements are not required to be prepared as the Fund and its controlled investments meets the definition of an investment entity under the definition in AASB 10 *Consolidated Financial Statements*.

The accounting policies adopted in preparing the financial statements are consistently applied in both the current and comparative year. For transactional accounting, financial instruments are recorded at the trade date. Assets and liabilities are recognised when STC becomes party to the instrument's contractual provisions.

Assets are derecognised when the contractual rights to cash flows from the asset expire or are transferred to another party. Liabilities are derecognised when the contractual obligation relating to the liability is discharged, cancelled or expires.

#### b) Employer Sponsor Receivable

An employer sponsor receivable (ESR) is recognised for the difference between the defined benefit member liabilities and the fair value of the assets available to meet the liabilities provided the receivable meets the definition and recognition criteria of an asset.

This would require specific contractual or statutory obligations between the superannuation fund and the relevant employer sponsor in relation to the funding of the defined benefit member liabilities. The asset is measured at its intrinsic value, being the difference between the defined benefit member liabilities and the amount of the recognised assets held to meet those liabilities.

#### c) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Resulting exchange differences are recognised in the Income Statement in the period in which they arise. The functional and presentation currency of the Fund is Australian Dollars.

#### d) Use of Judgements and Estimates

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements.

However, uncertainty implicit in these estimates and assumptions could result in outcomes that could require an adjustment to the carrying value of the affected asset or liability in the future.

In valuing assets for which there is no observable market, STC is guided on appropriate valuation techniques by its Valuation Policy. The valuation techniques within the policies involve and rely on the expert judgement of independent valuers.

In valuing deferred tax balances, STC applies the principles in AASB 112 – *Income Taxes* (refer Note 2(e)).

The amount of accrued and vested benefits/liabilities has been actuarially determined. The key assumptions are disclosed at note 8.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e) Income Tax

The Fund is an exempt Public Sector superannuation fund and as such is treated as a complying superannuation fund for the purposes of the *Income Tax Assessment Act 1997 (Cth)*. Accordingly, the concessional tax rate of 15% has been applied. Income tax on the net profit for the year comprises current and deferred tax.

Current tax is the expected tax payable or recoverable on the taxable income for the year using the concessional tax rate of 15% and any adjustment to tax payable in respect of previous years. Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax provided uses the tax rate expected to apply when the benefit or liability is realised.

A deferred tax asset is only recognised to the extent it is probable that future taxable surpluses will be available against which the asset can be used.

AASB 1056 *Superannuation Entities* requires that member related transactions are reflected separately from the Income Statement and are included in the Statement of Changes in Member Benefits. Income tax on contributions is therefore included in the Statement of Changes in Member Benefits with income tax on investment income included in the Income Statement.

#### f) Management Expenses

Management expenses charged to the Fund comprise:

**Direct Investment Expenses:** Investment manager and custody fee expenses are recognised on an accrual basis.

**Scheme Administration Expenses:** Expenses are allocated in accordance with Trustee policy and is based on member numbers for each scheme and level of scheme complexity.

#### g) Goods and services tax (GST)

Revenues are recognised net of the amount of GST where applicable. Expenses and assets are recognised net of the amount of GST to the extent that the GST is recoverable from the Australian Taxation Office as a reduced input tax credit (RITC). Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from the Australian Taxation Office is included as part of receivables in the Statement of Financial Position.

#### h) Rounding

All values reported in the financial statements have been rounded to the nearest million dollars, except where otherwise stated.

#### i) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been restated to improve the presentation.

#### j) Revenue Recognition and Measurement

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognised.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Interest Revenue

Interest is recognised on an accrual basis when control of a right to receive has been obtained.

#### Dividend Revenue

Dividends are recognised on the date the shares are quoted ex-dividend, and if not received at reporting date are recognised as a receivable in the Statement of Financial Position at fair value.

#### Distributions from unit trusts

Distributions from unit trusts are recognised on the date the unit value is quoted ex-distribution. If distributions from unit trusts are not received by the reporting date the amount is reflected in the Statement of Financial Position as a receivable.

#### Rental Revenue

Rental revenue from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as part of total rental income.

#### Changes in fair value of investments

Changes in the fair value of investments are recognised as a gain/loss 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).

#### k) Benefit Payments

Benefit payments are recognised when the payment becomes due under scheme legislation and a benefit application has been received.

#### l) Contributions

Contributions are recognised when the Fund obtains control of the right to receive the contribution or when the Fund receives cash and are recorded in the period to which they relate.

#### m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle or realise the assets and liabilities simultaneously.

#### n) Defined benefit member liabilities

Member liabilities are measured at the amount of accrued benefits. Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at a reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.



## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### o) New Accounting Standards and interpretations

Australian Accounting Standards and Interpretations that became effective for the first time for the Pooled Fund for the annual reporting period ended 30 June 2018 and their impact on the financial report are outlined below.

##### AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112) -

This standard has been implemented for the year ended 30 June 2018, there were no material changes to these financial statements.

##### AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 -

This standard has been implemented for the year ended 30 June 2018, there were no material changes to these financial statements.

#### p) Standards issued applicable but not yet effective

At the date of authorisation of this financial report the following accounting standards have been issued but not yet effective.

##### AASB 9 Financial Instruments –

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets and liabilities. The standard first applies for the year ending on or after 30 June 2019. No material changes to these financial statements are expected.

##### AASB 2017-1 Amendments to Australian Accounting Standards – Transfer of Investment Property -

This standard includes an amendment to AASB 140 *Investment Property* to clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. The standard first applies for the year ending on or after 30 June 2019. No material changes to these financial statements are expected.

##### AASB Interpretation 23 Uncertainty over Income Tax treatments -

The interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes*. The interpretation specifically provides guidance on considering uncertain tax treatments, when under examination by tax authorities and the appropriate method to reflect accounting changes. The standard first applies for the year ending on or after 30 June 2019. No material changes to these financial statements are expected.

##### AASB 16 Leases -

This standard replaces AASB 117 *Leases and Interpretation for Determining whether an Arrangement contains a Lease*. The standard brings most leases onto the balance sheet and would have the most impact on lessee accounting. The standard first applies for the year ending on or after 30 June 2020. No material changes to these financial statements are expected.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 3. RECEIVABLES

| Receivables                                       | 2018<br>\$m | 2017<br>\$m |
|---|-------------|-------------|
| Accrued income                                    | 229         | 170         |
| Contributions receivable                          | 4           | 6           |
| Margin call deposits                              | 91          | 70          |
| Due from brokers – receivable for securities sold | 43          | 100         |
| Other receivables                                 | 46          | 48          |
| <b>Total</b>                                      | <b>413</b>  | <b>394</b>  |

Within Other receivables is an impairment allowance of \$275,000 (2017: \$164,000). This allowance relates to amounts due from members or the estates of members where it has been assessed that the prospect of the Fund recovering the amount due is reduced.

### 4. EMPLOYER SPONSOR RECEIVABLE

| Employer Sponsor Receivable       | 2018<br>\$m | 2017<br>\$m |
|-----------------------------------|-------------|-------------|
| Employer Sponsor Receivable - PSS | 2,545       | 2,741       |

The Employer Sponsor Receivable recognised in the financial statements relates to the deficiency in the Police Superannuation Scheme. This scheme has a statutory obligation by the employer to meet the shortfall when the defined benefit member liabilities exceed the fair value of the scheme's assets.

### 5. PAYABLES

| Payables  | 2018<br>\$m | 2017<br>\$m |
|---|-------------|-------------|
| Superannuation benefits to members                | 8           | 10          |
| Due to brokers – payable for securities purchased | 44          | 134         |
| Other creditors                                   | 24          | 26          |
| Contribution surcharge                            | 31          | 35          |
| Payable to SAS Trustee Corporation                | 4           | 6           |
| <b>Total</b>                                      | <b>111</b>  | <b>211</b>  |

All payables are within agreed trading terms.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 6. INVESTMENT PROPERTIES

| a) Investment Properties | 2018<br>\$m | 2017<br>\$m |
|--------------------------|-------------|-------------|
| At 1 July                | 1,929       | 1,787       |
| Additions                | 23          | 40          |
| Changes in fair value    | 98          | 102         |
| Disposals                | (1)         | -           |
| Total                    | 2,049       | 1,929       |

| b) Net Rental Income                   | 2018<br>\$m | 2017<br>\$m |
|--|-------------|-------------|
| Rental income from investment property | 150         | 147         |
| Direct operating expenses              | (50)        | (47)        |
| Net rentals from investment property   | 100         | 100         |

### 7. DERIVATIVES

| Derivatives                           | 2018                        |                                  |                           | 2017                        |                                  |                           |
|---------------------------------------|-----------------------------|----------------------------------|---------------------------|-----------------------------|----------------------------------|---------------------------|
|                                       | Derivative<br>Assets<br>\$m | Derivative<br>Liabilities<br>\$m | Net<br>Derivatives<br>\$m | Derivative<br>Assets<br>\$m | Derivative<br>Liabilities<br>\$m | Net<br>Derivatives<br>\$m |
| Foreign Exchange Forward<br>Contracts | 13,740                      | (13,803)                         | (63)                      | 12,816                      | (12,737)                         | 80                        |
| Futures                               | 7                           | (11)                             | (4)                       | 6                           | (8)                              | (1)                       |
| Options                               | 75                          | (2)                              | 73                        | 54                          | (1)                              | 53                        |
| Net Derivatives                       | 13,822                      | (13,816)                         | 6                         | 12,877                      | (12,746)                         | 131                       |

### 8. DEFINED BENEFIT MEMBER LIABILITIES

#### a) Liability for Accrued Benefits

The Fund engages actuaries on an annual basis to measure the defined benefit members' liabilities in each of the defined benefit schemes.

The amount of accrued benefits has been determined based on the present value of expected future payments which arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The valuation of accrued benefits was undertaken by the independent scheme actuary. The financial assumptions applied for the calculations were:

# SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

## 8. DEFINED BENEFIT MEMBER LIABILITIES (Continued)

| Valuation Assumptions                       | 2018 | 2017 |
|---|------|------|
| Investment Return Rate                      |      |      |
| - asset backing current pension liabilities | 7.4  | 7.4  |
| - other                                     | 6.4  | 6.4  |
| CPI Increase Rate                           | 2.2  | 2.2  |
| Salary Increase Rate                        | 2.7  | 2.7  |

The actuarial valuation estimate at the reporting date shows accrued liabilities of \$58,987 million and unfunded liability of \$15,966 million (before inclusion of ESR). The key assumptions and sensitivity analysis to 30 June 2018 estimates is provided below.

### Sensitivity Analysis for 30 June 2018

| Key Assumption                      | Assumed at 30 June 2018  | Sensitivity Change | (Increase)/Decrease in Liability for Accrued Benefits \$m |
|-------------------------------------|--|--------------------|---|
| Investment return/<br>discount rate | 7.4% for all pensioners,<br>6.4% other members                 | +1.0% pa           | 4,079   |
|                                     |  | -1.0% pa           | (4,782)   |
| Inflationary salary<br>increases    | 2.7% pa to 30 June<br>2019 and 3.2% pa thereafter              | +1.0% pa           | (490)   |
|                                     |  | -1.0% pa           | 457   |
| CPI increases                       | 2.2% pa  | +1.0% pa           | (4,534)   |
|                                     |  | -1.0% pa           | 3,900   |
| Pensioner mortality                 | Consistent with a life expectancy<br>of 89.2 for a 65-year-old | +0.4 years         | (299)   |
|                                     |  | -0.3 years         | 286   |

# SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

## 8. DEFINED BENEFIT MEMBER LIABILITIES (Continued)

|   | 2018                 |  |                          | 2017                 |  |                          |
|---|----------------------|--|--------------------------|----------------------|--|--------------------------|
|   | Accrued Benefits \$m | Net Assets Available to Pay Benefits \$m | Over/ (under) funded \$m | Accrued Benefits \$m | Net Assets Available to Pay Benefits \$m | Over/ (under) funded \$m |
| State Authorities Superannuation Scheme                           | 14,693               | 12,950                                   | (1,743)                  | 14,597               | 12,847                                   | (1,750)                  |
| State Authorities Non-contributory Superannuation Scheme          | 2,293                | 1,945                                    | (348)                    | 2,367                | 2,010                                    | (357)                    |
| State Superannuation Scheme                                       | 34,556               | 23,226                                   | (11,330)                 | 34,787               | 22,626                                   | (12,161)                 |
| Police Superannuation Scheme                                      | 7,445                | 4,900                                    | (2,545)                  | 7,402                | 4,661                                    | (2,741)                  |
| Actuarial estimates of under-funded benefits at 30 June           | 58,987               | 43,021                                   | (15,966)                 | 59,153               | 42,144                                   | (17,009)                 |
| Employer Sponsor Receivable for PSS, in accordance with AASB 1056 | -                    | 2,545                                    | 2,545                    | -                    | 2,741                                    | 2,741                    |
| <b>Under-funded benefits AASB 1056</b>                            | <b>58,987</b>        | <b>45,566</b>                            | <b>(13,421)</b>          | <b>59,153</b>        | <b>44,885</b>                            | <b>(14,268)</b>          |

The NSW Government Budget Statement for 2018/19 stated that "The Government remains committed to fully funding its superannuation liabilities by June 2030, consistent with the Fiscal Responsibility Act 2012".

The NSW Government makes contributions in line with the funding plan developed to satisfy the requirements of the *Fiscal Responsibility Act 2012*. The NSW Government's objective is to fully fund its superannuation liabilities of the General Government Sector (excluding Universities) by 2030.

### Liquidity risk management

STC's overall strategy to liquidity risk management is outlined in its Liquidity Policy. The Fund's liquidity risk exposures are managed in concert with the Fund's investment strategies. STC has set a number of minimum liquidity requirements which are tested at least annually.

These include maintaining a sufficient liquid asset buffer to meet two years' worth of expected benefit payments and an exposure of no less than 60% of assets invested in liquid asset classes at any one point in time. STC also maintains adequate funding facilities and continuously monitors forecast and actual cash flows, including amounts required to fund its scheme and investment transactions and amounts expected from the Government.



# SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

## 9. 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 Fund membership at the reporting date.

|   | 2018                   |   |                             | 2017                   |   |                             |
|---|------------------------|---|-----------------------------|------------------------|---|-----------------------------|
|   | Vested Benefits<br>\$m | Net Assets Available to Pay Benefits<br>\$m | Over/ (under) funded<br>\$m | Vested Benefits<br>\$m | Net Assets Available to Pay Benefits<br>\$m | Over/ (under) funded<br>\$m |
| State Authorities Superannuation Scheme                           | 15,221                 | 12,950                                      | (2,271)                     | 15,407                 | 12,847                                      | (2,560)                     |
| State Authorities Non-contributory Superannuation Scheme          | 2,559                  | 1,945                                       | (614)                       | 2,682                  | 2,010                                       | (672)                       |
| State Superannuation Scheme                                       | 34,539                 | 23,226                                      | (11,313)                    | 34,817                 | 22,626                                      | (12,191)                    |
| Police Superannuation Scheme                                      | 7,097                  | 4,900                                       | (2,197)                     | 6,988                  | 4,661                                       | (2,327)                     |
| <b>Actuarial estimates of under-funded benefits at 30 June</b>    | <b>59,416</b>          | <b>43,021</b>                               | <b>(16,395)</b>             | <b>59,894</b>          | <b>42,144</b>                               | <b>(17,750)</b>             |
| Employer Sponsor Receivable for PSS, in accordance with AASB 1056 | -                      | 2,545                                       | 2,545                       | -                      | 2,741                                       | 2,741                       |
| <b>Under-funded benefits AASB 1056</b>                            | <b>59,416</b>          | <b>45,566</b>                               | <b>(13,850)</b>             | <b>59,894</b>          | <b>44,885</b>                               | <b>(15,009)</b>             |

Vested benefits exceed net assets at 30 June 2018 and 30 June 2017. STC is working with the NSW Treasury and the scheme actuary to facilitate the Government's stated objective to fully fund the schemes by 2030.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 10. EMPLOYER AND MEMBER CONTRIBUTIONS

|                                | 2018        |              |              |            | Total<br>\$m |
|--------------------------------|-------------|--------------|--------------|------------|--------------|
|                                | SASS<br>\$m | SANCS<br>\$m | SSS<br>\$m   | PSS<br>\$m |              |
| Employer Contributions         | 328         | 87           | 1,206        | 301        | 1,922        |
| Salary Sacrifice Contributions | 129         | -            | 44           | 6          | 179          |
| Member Contributions           | 47          | -            | 27           | 2          | 76           |
| <b>Total Contributions</b>     | <b>504</b>  | <b>87</b>    | <b>1,277</b> | <b>309</b> | <b>2,177</b> |

|                                | 2017        |              |            |            | Total<br>\$m |
|--------------------------------|-------------|--------------|------------|------------|--------------|
|                                | SASS<br>\$m | SANCS<br>\$m | SSS<br>\$m | PSS<br>\$m |              |
| Employer Contributions         | 530         | 228          | 876        | 168        | 1,802        |
| Salary Sacrifice Contributions | 141         | -            | 61         | 9          | 211          |
| Member Contributions           | 51          | -            | 26         | 3          | 80           |
| <b>Total Contributions</b>     | <b>722</b>  | <b>228</b>   | <b>963</b> | <b>180</b> | <b>2,093</b> |

The payment of all benefits under the schemes associated with the Fund is provided for by New South Wales Government statute. The benefit payments are funded from the Fund assets as they become payable. Member financed benefits are fully funded by underlying member reserves held within the Fund.

Member and Employer contributions for each of the schemes are determined on the basis described below. Member contributions for SANCS represent the co-contributions received from the Commonwealth Government.

Contributions made by the Government are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

The Government's objective requires that employer contributions be periodically reassessed to ensure that they remain sufficient to achieve full funding by 2030. STC conducts this periodic reassessment at 30 June each year.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 10. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

#### a) State Authorities Superannuation Scheme (SASS)

##### Member Contributions

Each member elects to contribute between 1% and 9% of salary.

##### Employer Contributions

Under the provisions of the *State Authorities Superannuation Act 1987* employers are grouped into the two categories below and the bases of contribution are as follows:

- Part 1 Consolidated Fund or supported Government employers and self-financing Semi-government and non-government employers are billed monthly and generally contribute at a multiple of the contributions payable by employees. The respective multiples are set by STC, with the concurrence of the NSW Treasurer, at a rate to part fund future liabilities and to fully fund emerging benefits.
- Part 3 Part 3 employers contribute at a multiple of 1.9 of employee contributions for SASS and 2.5% of employees' salaries for SANCS.

Contributions made by the Government are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

#### b) State Authorities Non-contributory Superannuation Scheme (SANCS)

##### Member Contributions

As the scheme is 100% employer funded, there are no member contributions. Any member contribution recognised represents co-contributions received from the Commonwealth Government in respect of a member.

##### Employer Contributions

Employers are billed at a percentage of employees' salaries, set for each employer by STC with the concurrence of the NSW Treasurer. The current contribution rates for employers range from 0% to 3%. Some employers also contribute lump sum contributions to meet past service deficiencies. The lump sum contribution amount is set by STC with concurrence of the NSW Treasurer.

Contributions made by the Government are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

#### c) State Superannuation Scheme (SSS)

##### Member Contributions

Each member contributes on a rate for age basis for individual pension units which become available with salary increases. Members may elect to abandon units where total contributions payable would exceed 6% of salary.

##### Employer Contributions

Each employer contributes at a rate equal to a multiple of relevant employee contributions. The rate is set by STC with the concurrence of the NSW Treasurer. The multiple of employee contributions is estimated to at least meet the cost of emerging benefits. Some employers also contribute lump sum contributions to meet past service deficiencies. The lump sum contribution amount is set by STC with concurrence of the NSW Treasurer.

Contributions made by the Government are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.



## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 10. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

#### d) Police Superannuation Scheme (PSS)

##### Member Contributions

Members contribute 6% of their salary.

##### Employer Contributions

Contributions made by the Government are in line with the funding plan developed by it to satisfy the requirements of the *Fiscal Responsibility Act 2012*.

### 11. INVESTMENT INCOME

| Investment Income   | 2018<br>\$m  | 2017<br>\$m  |
|---------------------|--------------|--------------|
| Investment Revenue  | 1,665        | 1,654        |
| Unrealised Gains    | 1,995        | 2,101        |
| Realised Gains/Loss | 201          | 320          |
| <b>Total</b>        | <b>3,861</b> | <b>4,075</b> |

### 12. SCHEME ADMINISTRATION EXPENSES

The *Superannuation Administration Act 1996* requires that STC recover its administration expenses from the Fund. Recoveries totalled \$36 million (2017: \$39 million).

Included in Scheme Administration Expenses are the following items:

|  | 2018<br>\$m | 2017<br>\$m |
|--|-------------|-------------|
| Audit Fees – The Audit Office of New South Wales | 0.5         | 0.5         |
| Scheme Administration Fees                       | 22          | 24          |

# SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

## 13. INCOME TAX

Income tax expenses and assets and liabilities arising from the levying of income tax (including capital gains tax) on the Fund have been determined in accordance with the provisions of Australian Accounting Standard AASB 112 *Income Taxes*.

| a) Income Tax recognised in the Income Statement  | 2018<br>\$m  | 2017<br>\$m  |
|---|--------------|--------------|
| <b>Current tax expense</b>  |              |              |
| Current income tax provision  | (110)        | (124)        |
| (Over) provision of tax benefit in prior years  | (6)          | (9)          |
|   | <b>(116)</b> | <b>(134)</b> |
| <b>Deferred tax liability</b>   |              |              |
| Increase/(Decrease) in deferred tax liabilities   | 20           | (17)         |
| <b>Total income tax (benefit) in Income Statement</b>                                       | <b>(96)</b>  | <b>(151)</b> |
| <b>Reconciliation between tax (benefit)/expense and operating results before income tax</b> |              |              |
| <b>Operating results before income tax</b>  | <b>751</b>   | <b>736</b>   |
| Income tax expense/(benefit) using the superannuation fund tax rate of 15%                  | 113          | 110          |
| <b>Change in tax expense/(benefit) due to:</b>  |              |              |
| - Assessable investment income  | (120)        | (161)        |
| - Pension related investment income   | (371)        | (403)        |
| - Tax credits   | (152)        | (161)        |
| - Net change in defined benefit member liabilities  | 440          | 473          |
| - (Over) provision of tax benefit in prior years  | (6)          | (9)          |
| <b>Income tax (benefit) on Income Statement</b>   | <b>(96)</b>  | <b>(151)</b> |

| b) Deferred Tax Liability  | 2018<br>\$m | 2017<br>\$m |
|--|-------------|-------------|
| Unrealised capital (gains)   | (97)        | (76)        |
| Income receivable  | (1)         | (1)         |
| Contributions receivable   | (1)         | (1)         |
| Unrealised loss/(gains) on traditional securities and foreign exchange | 1           | (2)         |
| Unrealised franking credits  | 21          | 23          |
| <b>Deferred Tax Asset/(Liability)</b>                                  | <b>(77)</b> | <b>(57)</b> |

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2018

#### 14. TRUSTEE BOARD INFORMATION

The Trustee of the Fund is STC. The names of the Board members of STC in office during the year ended 30 June 2018, the comparative period and up to the date of signing these accounts are as follows:

Ms C Austin (term commenced 28 June 2018)  
 Ms C Bolger  
 Mr A Claassens (term completed 4 November 2016 – term recommenced 5 November 2016)  
 Ms S Dave  
 Mr N Johnson  
 Ms C Keating (term commenced 10 November 2016)  
 Mr G Maniatis  
 Ms K Moses (term completed 26 March 2018)  
 Mr T O'Grady (term completed 24 June 2017 – term recommenced 14 September 2017)  
 Ms R Ramwell  
 Mr G Venardos (term completed 4 November 2016)

- a) Board members' remuneration was \$517,000 (2017: \$522,000).
- b) Remuneration received or due and receivable by Board Members and Directors of the Economic Entity from Controlled Entities are disclosed in the financial statements of each controlled entity which are listed in the STC Annual Report.
- c) The following Board Members were members of the Fund schemes during the reporting period or up to the date of the financial statements (including comparative year): T O'Grady and A Claassens. Their membership terms and conditions were the same as those applied to other members of the Fund's schemes.
- d) Transactions entered into during the year with Board Members and their Related Entities are disclosed below.

|   | 2018<br>\$000 | 2017<br>\$000 |
|---|---------------|---------------|
| Consulting fees paid to STC Board Member Ms. C Keating by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services | 168           | 94            |
| Director fees paid to STC Board Member Ms. R Ramwell by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services   | 62            | 32            |

- e) The Fund reimbursed STC \$36 million (2017: \$39 million) for operating expenses.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2018

#### 15. CONTINGENT LIABILITIES

Contingent liabilities potentially exist in relation to either the Trustee in its capacity as Trustee of the Fund, or the Fund itself. Classes of contingent liabilities may include:

- (i) Legal costs and related future benefit payments, if any, in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases, it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund, and in the case of contingent liabilities arising from PSS, by the legislation of the scheme which allows the Trustee to make a call on NSW Consolidated Revenues.

#### 16. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian. The Fund received \$4 million (2017: \$5 million) fee income from this program, which adds to the Fund's overall yearly return.

At 30 June, the total value of the loaned securities was \$874 million (2017: \$800 million) while the total value of the collateral was \$901 million (2017: \$850 million). The lent securities represented approximately 2.0% of the Fund's total investments (2017 approximately: 1.9%), which was within the allowable limit of 20% of the lendable assets.

The collateral comprised of non-cash sovereign securities of \$210 million (2017: \$200 million) and cash of \$690 million (2017: \$600 million). The collateral is invested in a fund managed by the custodian.

The collateral may only be accessed in the event of default by the borrower of lent securities.

#### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risk factors as a result of its investment activities. These risks include –

- (a) market risk, including currency risk; interest rate risk; and price risk.
- (b) credit risk, and
- (c) liquidity risk

The Fund's risk management and investment policies are designed to minimise the potential adverse effects of these risks on the Fund's financial performance. STC has developed, implemented and maintains a Risk Management Framework (RMF) and an anti-money laundering and counter terrorism financing program (AML/CTF program). These systems address material risks, both financial and non-financial that could potentially be faced by the Fund.

The Fund's assets are invested in accordance with the Fund's investment strategy. STC regularly reviews the investment strategy to ensure the strategy's continued relevance to the Fund's objectives given prevailing investment markets. An objective of the investment strategy is to avoid undue concentrations of risk. STC ensures that the portfolio is diversified across and within asset classes, across investment managers, countries, individual asset types and risk factors.

As required by its governing legislation, the investments of the Fund are managed by specialist fund managers. The activities of the fund managers are governed by investment instructions and investment constraints as set out in documented agreements with the fund managers or, in the case of a unit trust, a trust deed.

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
For the year ended 30 June 2018

### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

STC and TCorp, (as the mandated investment manager), constantly monitors the investment managers to ensure compliance with investment instructions and investment constraints.

For the purpose of this financial report, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables but excluding ESR, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps). Such derivative instruments are used for hedging purposes only and to efficiently implement asset allocation changes.

#### Accounting Policies

Assets and liabilities of the Fund are predominantly valued at reporting date at fair values. Fair value comprise of market value but excludes estimated costs of disposal. Changes in fair values, representing gains or losses, are recognised in the Income Statement in the period in which they occur.

The relevant terms and conditions and applicable additional detailed accounting policies for each financial instrument are as follows:

| Financial instruments                              | Accounting policies  | Terms and conditions   |
|--|--|--|
| 1. Receivables                                     | Receivables include income receivable and unsettled sales of securities. They are carried at nominal amounts.  | Sales of securities are made on various terms for different securities and in different countries. Income receivable is also settled on varying terms depending on the security and country. |
| 2. Futures   | Futures are stated at market value using the daily closing price.  | The futures are exchange traded equity futures.  |
| 3. Unlisted Trusts/Unlisted Property Trusts        | The fair value of Unlisted Trusts is determined on the basis of the withdrawal unit prices as advised by the relevant fund manager.  | The terms and conditions are set out in the applicable trust constitution.   |
| 4. Unlisted Equity Interests                       | Unlisted Equity Interests are carried at fair value as determined by independent expert valuers.   | The terms and conditions are set out in the applicable entity constitution.  |
| 5. Listed Shares and Trusts                        | Listed shares and trusts are carried at fair value. The basis for valuation of listed securities is the last bid price quoted at close of business on the last day of the period on the relevant securities exchange. Certain costs incurred in acquiring the investment, such as brokerage and stamp duty, are capitalised in the cost of the investments. Dividend income and trust distributions are recognised on the ex-date. | N/A  |
| 6. Bills of exchange and other discount securities | Carried at fair value using market rates as at 30 June.  | Average maturity of 53 days with effective interest rates in the range of 1.70% to 19.54%.   |
| 7. Promissory Notes                                | Carried at fair value as at 30 June.   | N/A  |
| 8. Mortgages                                       | Mortgages are stated at fair value. Interest income is recognised in the Income Statement when earned.   | N/A  |
| 9. Bank Deposits                                   | Stated at fair value. Interest income is recognised in the Income Statement when earned.   | N/A  |

# SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### Accounting Policies (Continued)

| Recognised instruments                 | Accounting policies   | Terms and conditions  |
|--|---|---|
| 10. Government Bonds                   | Carried at fair value based on discounted cash flow.  | Government bonds on average mature on 16/07/2030 and have effective interest rates in the range of 0% to 40.00%.                  |
| 11. Semi Government Bonds              | Carried at fair value based on discounted cash flow.  | Semi Government bonds on average mature on 12/06/2027 and have effective interest rates in the range of 0.70% to 10.02%.          |
| 12. Domestic Bonds                     | Carried at fair value based on discounted cash flow.  | Domestic bonds on average mature on 26/10/2022 and have effective interest rates in the range of 2.25% to 11.00%                  |
| 13. Options                            | Options are stated at market value using the daily closing price.   | The options are all Exchange Traded options.  |
| 14. Investment Purchases               | Liabilities are recognised for amounts to be paid for under investment commitments.   | Settlement for securities is made in accordance with investment agreements between counterparties.                                |
| 15. Foreign exchange forward contracts | Foreign exchange forward contracts are undertaken to hedge against adverse foreign exchange movements. Gains or losses on these contracts are recognised through the translation of underlying transactions and/or instruments at hedge rates.  | At the end of the reporting period, the Fund had various foreign exchange forward contracts open in its international portfolios. |
| 16. Payables                           | Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund.   | Liabilities are settled on receipt of invoices in accordance with terms thereof.  |
| 17. Investment Properties              | The fair value of the Fund's investment property as at 30 June 2017 and 30 June 2018 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers. All independent valuers were appropriately qualified and experienced and authorised to practise as a valuer. In performing the valuation, the independent valuer considered the requirements of the Australian Accounting Standard Board, in particular, AASB13 Fair Value Assessment. There has not been any change to the valuation technique during the year. | The terms and conditions are set out in the applicable entity constitution.   |

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### a) Market Risk

Market risk is the risk that changes in factors such as foreign currency exchange rates (currency risk), interest rates (interest rate risk) and equity prices (price risk) will affect the Fund's income or the value of its financial instruments. Through its management of market risk STC seeks to manage and control its market risk exposures to within acceptable parameters while optimising risk adjusted returns.

In managing market risk, STC's fund managers trade in derivatives and securities. The fund managers also incur liabilities in the ordinary course of business. All such transactions are within the investment management mandates granted by STC to its managers.

##### a.1) Foreign Currency Risk

Foreign Currency risk is the risk that the net market value of offshore assets and future cash flows derived from existing offshore financial instruments will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to foreign currency risk on financial instruments, receivables and liabilities that are denominated in currencies other than Australian Dollars. The main currencies to which the Fund is exposed are –

- US Dollar (USD)
- Japanese Yen (JPY)
- Euro (EUR)
- British Pound (GBP)

The Fund's foreign currency risk is managed in accordance with strict parameters as set out in its investment policy. Under the policy, investments are hedged as follows –

- international equities – developed market equities are hedged from 0% to 100% in Australian dollars
- international equities – emerging market equities are unhedged
- international property, infrastructure and alternative assets are hedged from 0% to 100% in Australian dollars
- International fixed interest assets (sovereign debt) are hedged from 0% to 100% in Australian dollars

STC's currency overlay manager uses a range of counterparties. If a counterparty failed to satisfy its contractual obligation to deliver on a currency hedging contract the Fund would remain exposed to the foreign currency risk being hedged.

The hedging policy has been reviewed during the financial year to refine management of risk factors faced by the Fund through foreign currency risk.

# SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### a.1) Currency Risk (Continued)

The Fund's total net exposure to fluctuations in foreign currency exchange rates as at the financial year end is as follows:

|   | YEAR ENDED 30 JUNE 2018 |        |        |        |        |        | TOTAL  |
|---|-------------------------|--------|--------|--------|--------|--------|--------|
|   | USD                     | JPY    | EUR    | GBP    | AUD    | Other  |        |
|   | AUD\$m                  | AUD\$m | AUD\$m | AUD\$m | AUD\$m | AUD\$m | AUD\$m |
| Financial assets and liabilities at fair value through the income statement | 7,512                   | 573    | 1,446  | 1,321  | 30,324 | 1,772  | 42,948 |
| Cash  | -                       | -      | -      | -      | 20     | -      | 20     |
| Payables  | (10)                    | -      | (3)    | (2)    | (89)   | (7)    | (111)  |

|   | YEAR ENDED 30 JUNE 2017 |        |        |        |        |        | TOTAL  |
|---|-------------------------|--------|--------|--------|--------|--------|--------|
|   | USD                     | JPY    | EUR    | GBP    | AUD    | Other  |        |
|   | AUD\$m                  | AUD\$m | AUD\$m | AUD\$m | AUD\$m | AUD\$m | AUD\$m |
| Financial assets and liabilities at fair value through the income statement | 7,429                   | 635    | 1,781  | 1,334  | 29,569 | 1,374  | 42,122 |
| Cash  | -                       | -      | -      | -      | 36     | -      | 36     |
| Payables  | (25)                    | -      | (7)    | (5)    | (126)  | -      | (163)  |



## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### a.1) Currency Risk (Continued)

The currency risk disclosure reflects the Fund's assets that are subject to active currency management. These assets comprise both directly held investments and most of the assets held indirectly through unit trusts.

Assuming no hedging of international exposures, a 15 per cent strengthening of the Australian Dollar against the following currencies at financial year end would have decreased the monetary assets (i.e. assets that are units of currency or assets that are to be received in a fixed or determinable number of units of currency) within the Fund's Income Statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In practice, STC partially hedges against the adverse effects of currency movements. The analysis is calculated on the same basis for 2018 and 2017.

| All amounts are in Australian Dollars | Change in Net<br>Assets<br>30-Jun-18<br>\$m | Change in Net<br>Assets<br>30-Jun-17<br>\$m |
|---------------------------------------|---|---|
| USD                                   | (161)                                       | (67)  |
| JPY                                   | (1)   | (0)   |
| EUR                                   | (12)  | (23)  |
| GBP                                   | (58)  | (15)  |
| Other                                 | (80)  | (4)   |
|                                       | (312)                                       | (109)                                       |

Assuming no hedging of international exposures, a 15 per cent weakening of the Australian Dollar against the above currencies at financial year end would have the equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

#### a.2) Interest Rate Risk

The Fund's investments in debt and short-term money market instruments are subject to interest rate risk and the return on these investments will fluctuate in accordance with movements in the interest rates.

The Fund's exposure to interest rate risk, including contractual repricing or maturity dates (whichever dates are earlier) associated with these financial instruments as at 30 June, are shown in the tables below. All other financial assets and liabilities are non-interest bearing.

# SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### a.2) Interest Rate Risk (Continued)

#### YEAR ENDED 30 JUNE 2018 – INTEREST RATE RISK DISCLOSURE

|                                       | Floating<br>Interest<br>\$m | Fixed Interest<br>\$m | Non-Interest-<br>Bearing \$m | Total (per Statement<br>of Financial<br>Position)<br>\$m |
|---------------------------------------|-----------------------------|-----------------------|------------------------------|--|
| <b>Assets</b>                         |                             |                       |                              |  |
| Short Term Securities                 | 3,910                       | -                     | -                            | 3,910  |
| Australian Fixed Interest             | -                           | 2,256                 | -                            | 2,256  |
| International Fixed Interest          | -                           | 171                   | -                            | 171  |
| Australian Equities                   | -                           | -                     | 8,968                        | 8,968  |
| International Equities                | -                           | -                     | 10,682                       | 10,682   |
| Property - indirect                   | -                           | -                     | 1,730                        | 1,730  |
| Investment Properties - direct        | -                           | -                     | 2,049                        | 2,049  |
| Infrastructure and other alternatives | -                           | -                     | 13,196                       | 13,196   |
| Net Derivatives                       | -                           | 1                     | 5                            | 6  |
| <b>Total Assets</b>                   | <b>3,910</b>                | <b>2,428</b>          | <b>36,630</b>                | <b>42,968</b>  |
| <b>Liabilities</b>                    |                             |                       |                              |  |
| Payables                              | -                           | -                     | 111                          | 111  |
| <b>Total Liabilities</b>              | <b>-</b>                    | <b>-</b>              | <b>111</b>                   | <b>111</b>   |
| <b>Net Assets</b>                     | <b>3,910</b>                | <b>2,428</b>          | <b>36,519</b>                | <b>42,857</b>  |

#### YEAR ENDED 30 JUNE 2017 – INTEREST RATE RISK DISCLOSURE

|                                       | Floating<br>Interest<br>\$m | Fixed Interest<br>\$m | Non-Interest-<br>Bearing \$m | Total (per Statement<br>of Financial Position)<br>\$m |
|---------------------------------------|-----------------------------|-----------------------|------------------------------|---|
| <b>Assets</b>                         |                             |                       |                              |   |
| Short Term Securities                 | 4,829                       | -                     | -                            | 4,829   |
| Australian Fixed Interest             | -                           | 2,477                 | -                            | 2,477   |
| International Fixed Interest          | -                           | 489                   | -                            | 489   |
| Australian Equities                   | -                           | 27                    | 9,264                        | 9,291   |
| International Equities                | -                           | -                     | 12,096                       | 12,096  |
| Property - indirect                   | -                           | -                     | 1,700                        | 1,700   |
| Investment Properties - direct        | -                           | -                     | 1,916                        | 1,916   |
| Infrastructure and other alternatives | 30                          | 96                    | 9,103                        | 9,229   |
| Net Derivatives                       | -                           | 3                     | 128                          | 131   |
| <b>Total Assets</b>                   | <b>4,859</b>                | <b>3,092</b>          | <b>34,207</b>                | <b>42,158</b>   |
| <b>Liabilities</b>                    |                             |                       |                              |   |
| Payables                              | -                           | -                     | 163                          | 163   |
| <b>Total Liabilities</b>              | <b>-</b>                    | <b>-</b>              | <b>163</b>                   | <b>163</b>  |
| <b>Net Assets</b>                     | <b>4,859</b>                | <b>3,092</b>          | <b>34,044</b>                | <b>41,995</b>   |

# SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### a.2) Interest Rate Risk (Continued)

The effect of a 175-basis point increase in interest rates for variable rate financial assets and liabilities and a 175-basis point increase in interest rates for fixed interest securities is as follows. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is calculated on the same basis for 2018 and 2017 –

| All amounts are in Australian Dollars | Change in Net              | Change in Net              |
|---------------------------------------|----------------------------|----------------------------|
|                                       | Assets<br>30-Jun-18<br>\$m | Assets<br>30-Jun-17<br>\$m |
| Fixed Interest                        | (42)                       | (54)                       |
| Floating Interest                     | 68                         | 85                         |
|                                       | 26                         | 31                         |

A 175 Basis point decrease in interest rates at financial year end would have the equal but opposite effect on the amounts shown above, assuming that all other variables remains constant.

### a.3) Price Risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment and/or its issuer or all factors affecting all instruments traded in the market. As the majority of the Fund's financial instruments are carried at fair value in the Statement of Financial Position and all changes in fair value are recognised in the Income Statement, all changes in market conditions will directly affect net assets available for member benefits and operating results.

Price risk is mitigated by the Fund having a formal investment strategy which diversifies the Fund's investments across various sectors, managers, risk factors, asset classes and countries.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### a.3) Price Risk

The following table illustrates the effect from possible changes in price risk that were reasonably possible based on the risk to which the Fund was exposed. The sensitivity factors were developed by the Fund's Asset Consultant. The Asset Consultant's recommended volatility factors have been determined after considering historical data series, and are calculated by considering what is 'reasonably possible'. The analysis is calculated on the same basis for 2018 and 2017.

| All amounts are in Australian Dollars | Change in<br>Price Risk<br>Variable<br>→ | Change in<br>Operating<br>Results<br>30-Jun-18<br>\$m | Change in<br>Operating<br>Results<br>30-Jun-17<br>\$m |
|---------------------------------------|--|---|---|
| Australia                             | 38.3%                                    | 9,477   | 8,667   |
| International                         | 38.5%                                    | 4,257   | 4,571   |
| Foreign exchange derivatives          | 15.0%                                    | (5,341)   | (1,123)   |
|                                       |  | 8,393   | 12,115  |

| All amounts are in Australian Dollars | Change in<br>Price Risk<br>Variable<br>→ | Change in<br>Operating<br>Results<br>30-Jun-18<br>\$m | Change in<br>Operating<br>Results<br>30-Jun-17<br>\$m |
|---------------------------------------|--|---|---|
| Australia                             | 21.8%                                    | (5,394)   | (4,933)   |
| International                         | 21.5%                                    | (2,377)   | (2,553)   |
| Foreign exchange derivatives          | 15.0%                                    | 5,341   | 1,123   |
|                                       |  | (2,430)   | (6,363)   |

#### b) Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk in the following areas –

- the holding of currency hedging contracts, derivatives, short term securities, Australian fixed interest securities, international fixed interest securities and cash
- contributions receivable
- accrued income
- margin call deposits
- investment sales.

The Fund's maximum exposure to credit risk at balance date in relation to each of the above listed items is the carrying amount of those assets as stated in the Statement of Financial Position.

For short term securities, Australian fixed interest securities, international fixed interest securities and cash, STC controls credit risk by explicitly setting out in its investment instructions the assets that fund managers may invest in. The restrictions are based around rating agency assessments and/or the securities that make up the relevant industry benchmark for the sector being invested in. For forward foreign exchange contracts, investment managers must deal only with counterparties that have greater than nominated rating agency

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2018

#### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

assessment and are also limited to relative dollar limits with any particular counterparty to ensure that credit risk is well diversified.

Credit risk associated with contributions receivable, margin call deposits and investment sales are minimal as all have a short settlement period and –

- contributions receivable comprises mainly Government Agency employer sponsors, hence risk is mitigated.
- for margin call deposits STC transacts only with counterparties rated as credit worthy by credit rating agencies
- for investment sales, in line with market practice the Fund's custodian does not release the sold assets until full payment has been received from the purchaser.

STC accepts the credit risk for accrued income.

The Fund does not have significant concentrations of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. No individual investment exceeded five percent of the Fund's net assets during the years ended 30 June 2018 or 30 June 2017. Also, STC ensures that in its hedging activities it diversifies its exposure to individual counterparties.

#### c) Liquidity Risk

Liquidity risk is risk that the Fund will not be able to meet its financial obligations as they fall due.

The relevant statutes require that all benefits be paid in full when they fall due.

In managing liquidity risk STC continuously monitors forecast and actual cash flows, including amounts required to fund its scheme and investment transactions and amounts expected from the Crown. Forecast Fund cash flows are based around the triennial actuarial assessment of the Fund, adjusted for actual cash flows. STC is able to estimate benefit outflows because most members cannot roll out of the Fund at will, but rather must satisfy a condition of release. The Fund maintains funding facilities adequate to allow the payment of its obligations as they fall due.

The Fund's strategic asset allocations at 30 June 2018 targeted the following allocations to cash –

- DC Growth Option 6.5%
- DC Balanced Option 26.5%
- DC Conservative Option 45.0%
- Trustee Selection 6.0%
- University Diversified 75.0%

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2018

#### 18. FAIR VALUE DISCLOSURES

The Statement of Financial Position is prepared in accordance with AASB 1056 *Superannuation Entities*. All investment assets are valued at fair values at 30 June. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustees, approximates their fair value.

##### a) Assets and Liabilities by Measurement Hierarchy

For financial reporting fair value measurements are categorised into Level 1, 2 or 3 based on whether inputs to determining fair value are observable and the significance to the measurement. The levels are described as follows –

- Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are loan notes, government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.
- Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

STC has a valuation policy that sets out how all the Fund's assets are to be valued. The Policy reflects the requirements of APRA Prudential Practice Guide SPG 531 – *Valuation*. Under the policy the value of level 3 assets are as follows:

- for unlisted property, unlisted shares and unlisted infrastructure the value is determined by the manager or STC appointed industry expert valuers using recognised valuation techniques. The most frequently used technique is discounted cash flow. The key inputs to discounted cash flow are discount rates and projected cash flows.

STC uses industry comparisons to assess the validity of discount rates and assesses advice from the responsible external fund manager to ensure the validity of cash flow information.

STC also uses the value of comparable assets or transactions to confirm the valuation result.

While changing valuation assumptions would affect the valuation result, such changes are unlikely to be material to the financial report of the Fund.

- for distressed debt and hedge funds the value is determined by independently audited financial statements of the asset holding vehicle.

All disclosures in the following tables are at fair value.

There were no assets transferred between the above levels, including levels one and two, during the year ended 30 June 2018 or the year ended 30 June 2017.

The following tables categorise the Scheme's assets and liabilities using the above valuation hierarchy (excluding the liquidity balances held by the custodian in individual asset classes).

# SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

## 18. FAIR VALUE DISCLOSURES (Continued)

| YEAR ENDED 30 JUNE 2018               | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m  |
|---------------------------------------|----------------|----------------|----------------|---------------|
| <b>Assets</b>                         |                |                |                |               |
| Short Term Securities                 | 2,185          | 2,216          | -              | 4,401         |
| Australian Fixed Interest             | 42             | 2,193          | -              | 2,235         |
| International Fixed Interest          | 8              | 1,388          | -              | 1,396         |
| Australian Equities                   | 8,719          | 552            | -              | 9,271         |
| International Equities                | 8,500          | 2,392          | -              | 10,892        |
| Property                              | 788            | 609            | 2,314          | 3,711         |
| Infrastructure and other alternatives | 421            | 5,333          | 4,141          | 9,895         |
| <b>Total</b>                          | <b>20,663</b>  | <b>14,683</b>  | <b>6,455</b>   | <b>41,801</b> |

| YEAR ENDED 30 JUNE 2017               | Level 1<br>\$m | Level 2<br>\$m | Level 3<br>\$m | Total<br>\$m  |
|---------------------------------------|----------------|----------------|----------------|---------------|
| <b>Assets</b>                         |                |                |                |               |
| Short Term Securities                 | 3,077          | 10             | -              | 3,087         |
| Australian Fixed Interest             | 1              | 2,500          | -              | 2,501         |
| International Fixed Interest          | -              | 481            | -              | 481           |
| Australian Equities                   | 8,948          | 498            | -              | 9,446         |
| International Equities                | 9,033          | 3,000          | -              | 12,033        |
| Property                              | 926            | 544            | 2,041          | 3,511         |
| Infrastructure and other alternatives | 392            | 5,065          | 3,832          | 9,289         |
| <b>Total</b>                          | <b>22,377</b>  | <b>12,098</b>  | <b>5,873</b>   | <b>40,348</b> |

## 19. COMMITMENTS

As at 30 June 2018 the Fund had commitments for uncalled additions to existing investments of \$592 million (2017: \$694 million). The amounts can be called at the discretion of the fund managers involved and will be funded from the cash holdings of the Fund's diversified investment options.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2018

### 20. NOTES TO CASH FLOW STATEMENT

Reconciliation of net cash flows from operating activities to the operating result after income tax.

|  | 2018<br>\$m  | 2017<br>\$m  |
|--|--------------|--------------|
| Operating result after income tax for the year             | 847          | 887          |
| Net change in fair value of investments                    | (2,196)      | (2,421)      |
| Net change in receivables and other assets                 | (60)         | 296          |
| Net change in payables and other liabilities               | (10)         | (171)        |
| Net change in member benefits to be funded by employers    | -            | (196)        |
| Net change in defined benefit member benefits              | 2,930        | 3,151        |
| Net change in provision for income tax                     | 32           | -            |
| Adoption of fair value adjustment                          | -            | (37)         |
| <b>Net cash inflow/(outflow) from operating activities</b> | <b>1,543</b> | <b>1,581</b> |

### 21. LEASE RECEIVABLE (excluding GST)

The future minimum lease payments receivable by the Fund are

|   | 2018<br>\$m | 2017<br>\$m |
|---|-------------|-------------|
| No later than one year                            | 115         | 113         |
| Later than one year but not later than five years | 290         | 304         |
| Later than five years                             | 114         | 123         |
|   | <u>519</u>  | <u>540</u>  |

### 22. EVENTS AFTER THE REPORTING DATE

There have been no events between 30 June 2018 and the date of approval of these financial statements that would significantly affect the financial statements.

**End of Audited Financial Statements**



## Part H

# Financial statements of the controlled entities of the Pooled Fund

|   |     |
|---|-----|
| A-Train Unit Trust                          | 175 |
| Alfred Unit Trust                           | 195 |
| Buroba Pty Limited                          | 207 |
| Duquesne Utilities Trust                    | 219 |
| EG Core Plus Fund No.1 (Head Trust)         | 232 |
| EG Core Plus Fund No.1 Holding Trust No.1   | 242 |
| EG Core Plus Fund No.1 Holding Trust No.2   | 251 |
| EG Core Plus Fund No.1 Holding Trust No.3   | 260 |
| EG Core Plus Fund No.1 Holding Trust No.4   | 269 |
| EG Core Plus Fund No.1 Holding Trust No.5   | 278 |
| EG Core Plus Fund No.1 Holding Trust No.6   | 287 |
| EG Core Plus Fund No.1 Holding Trust No.7   | 296 |
| EG Core Plus Fund No.1 Holding Trust No.8   | 305 |
| EG Core Plus Fund No.1 Ownership Trust No.1 | 312 |
| EG Core Plus Fund No.1 Ownership Trust No.2 | 323 |
| EG Core Plus Fund No.1 Ownership Trust No.3 | 334 |
| EG Core Plus Fund No.1 Ownership Trust No.4 | 346 |
| EG Core Plus Fund No.1 Ownership Trust No.5 | 357 |
| EG Core Plus Fund No.1 Ownership Trust No.6 | 368 |
| EG Core Plus Fund No.1 Ownership Trust No.7 | 379 |
| EG Core Plus Fund No.1 Ownership Trust No.8 | 391 |
| IPG Unit Trust                              | 400 |
| LBC Unit Trust                              | 412 |
| Pisco STC Funds Unit Trust No.1             | 424 |
| Pisco STC Funds Unit Trust No.2             | 441 |
| Project Cricket State Super Unit Trust      | 458 |
| Southern Way Unit Trust                     | 469 |
| State Infrastructure Holdings 1 Pty Ltd     | 481 |
| State Infrastructure Trust                  | 502 |
| Valley Commerce Pty Limited                 | 524 |

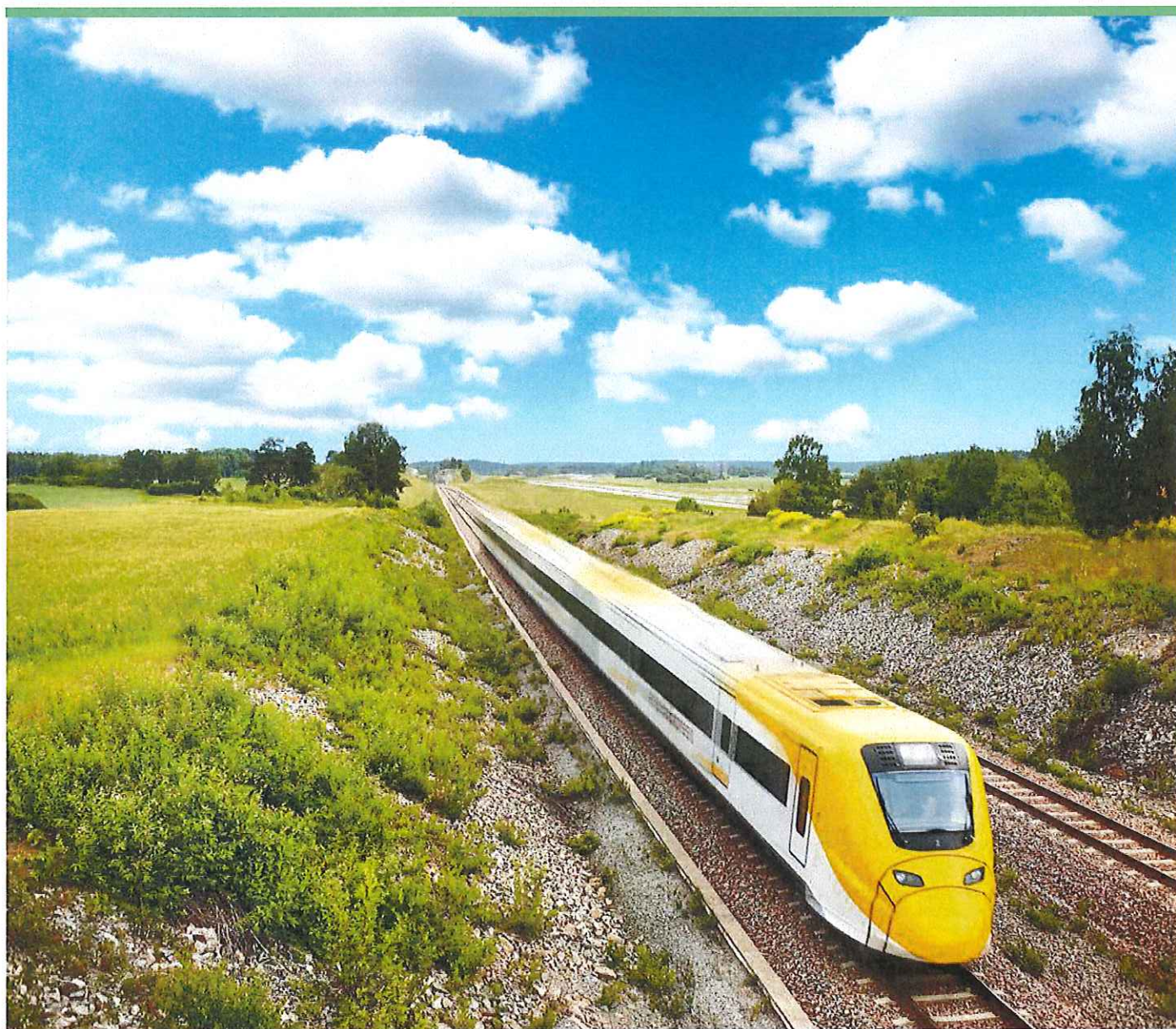
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Macquarie Infrastructure and Real Assets (MIRA)



# State Super A-Train Trust

Special pupose financial report | 30 June 2018



Macquarie Specialised Asset Management Limited (ACN 087 382 965) (AFSL 241104) ("MSAM") is the trustee of State Super A-Train Trust ("the Trust"). MSAM is a wholly owned subsidiary of Macquarie Group Limited (ABN 94 122 169 279) ("MGL") and is domiciled and operates out of Australia.

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited (ABN 46 008 583 542) ("MBL"). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

This report is not an offer or invitation for subscription or purchase, or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in the Trust, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

MSAM, as trustee of the Trust, is entitled to fees for so acting. MGL and its related corporations, together with their officers and directors, may hold units in the Trust from time to time.



# Special Purpose Financial Report

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# Management and Administration

for the year ended 30 June 2018

|                                     |   |
|-------------------------------------|---|
| Registered office                   | <b>Macquarie Specialised Asset Management Limited</b><br>C/- Company Secretarial<br>Level 6, 50 Martin Place<br>Sydney NSW 2000     |
| Trustee & Manager                   | <b>Macquarie Specialised Asset Management Limited</b><br>C/- Company Secretarial<br>Level 6, 50 Martin Place<br>Sydney NSW 2000     |
| Directors of the Trustee & Manager  | Martin Stanley<br>Francis Kwok<br>Anthony Shepherd<br>Penelope Bingham-Hall<br>Grant Smith as Alternate Director for Martin Stanley |
| Members of Mandated Asset Committee | Francis Kwok<br>Jason Soon<br>Hugh FitzSimons<br>Kieran Zubrinich<br>Grant Smith as Alternate Committee Member for Francis Kwok     |

# Mandated Assets Committee's Report

for the year ended 30 June 2018

In respect of the year ended 30 June 2018, the following Special Purpose Financial Report for the State Super A-Train Trust ("the Trust") is submitted by the Mandated Assets Committee ("the Committee") of Macquarie Specialised Asset Management Limited ("MSAM" or "the Trustee"). The Committee has been delegated this authority by the directors of the Trustee.

## Directors

The following persons held office as directors of the Trustee during the whole of the year and up to the date of this report:

- Martin Stanley
- Francis Kwok
- Anthony Shepherd
- Penelope Bingham-Hall
- Grant Smith as Alternate Director for Martin Stanley

## Principal Activity

The principal activity of the Trust is to invest in the Arlanda Express, a high speed train link between Arlanda Airport and Stockholm City, in accordance with the Trust Constitution.

There were no significant changes in the nature of the Trust's activities during the year not otherwise disclosed in this report.

## Review of Operations and Results

The performance of the Trust, as represented by the financial results of its operations, was as follows:

|  | \$'000<br>2018 | \$'000<br>2017 |
|--|----------------|----------------|
| Revenue  | 2              | -              |
| Other income                                       | 39,479         | 45,908         |
| Total revenue and other income                     | 39,481         | 45,908         |
| Profit before amounts attributable to unitholdings | 39,481         | 45,554         |



# Mandated Assets Committee's Report

for the year ended 30 June 2018

## Distributions

Distributions declared to unitholders of the Trust during the year were as follows:

|   | \$'000<br>2018 | \$'000<br>2017 |
|---|----------------|----------------|
| <b>Distributions declared to unitholders during the year</b>  |                |                |
| Final distribution for the year ended 30 June 2018 of 0.7557 cents per unit paid on 29 August 2018    | 1,927          |                |
| Interim distribution for the year ended 30 June 2018 of 0.3674 cents per unit paid on 23 January 2018 | 937            | -              |
| Final distribution for the year ended 30 June 2017 of 6.0150 cents per unit paid on 14 July 2017*     | 77             | 15,262         |
| Interim distribution for the year ended 30 June 2017 of 0.3536 cents per unit paid on 25 January 2017 | -              | 902            |
| Final distribution for the year ended 30 June 2016 of 4.6011 cents per unit paid on 15 July 2016**    | -              | (344)          |
|   | <b>2,941</b>   | <b>15,820</b>  |

\* A final distribution for the year ended 30 June 2017 of \$15.339 million (6.015 cents per unit) was paid on 14 July 2017 (\$0.077 million in excess of amount provided for at 30 June 2017).

\*\* A final distribution for the year ended 30 June 2016 of \$11.734 million was paid on 15 July 2016 (\$0.344 million less than amount provided for at 30 June 2016).

## Significant Changes in State of Affairs

In the opinion of the Committee, there were no significant changes in the state of affairs of the Trust that occurred during the year.

## Events after the Reporting Period

The Trust made a final distribution payment of \$1.9 million for the year ended 30 June 2018 (2017: \$15.3 million) and an interim distribution payment of \$12.9 million for the year ended 30 June 2019 on 29 August 2018.

At the date of this report, the Committee are not aware of any other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in the years subsequent to 30 June 2018 not otherwise disclosed in this report.

## Likely Developments and Expected Results of Operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Constitution.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

## Indemnification and Insurance of Members

No insurance premiums are paid for out of the assets of the Trust in regard to insurance cover provided to the members of the Committee. So long as the officers of the Committee act in accordance with the Trust Deed and the Law, the members remain indemnified out of the assets of the Trust against any losses incurred while acting on behalf of the Trust.



# Mandated Assets Committee's Report

for the year ended 30 June 2018

## Interests Held in the Trust

The movement in units on issue in the Trust during the period is as set out below:

|   | Units<br>As at 30 June<br>2018 | Units<br>As at 30 June<br>2017 |
|---|--------------------------------|--------------------------------|
| Units on issue at the beginning of the period | 255,018,323                    | 255,018,323                    |
| Units on issue at the end of the period       | 255,018,323                    | 255,018,323                    |

No interests in the Trust were held by the Trustee or its associates during the year (2017: nil).

No options on units have been granted.

## Value of Assets

|                                  | \$'000<br>2018 | \$'000<br>2017 |
|----------------------------------|----------------|----------------|
| Value of Trust assets at 30 June | 332,663        | 309,458        |

The value of the Trust's assets are derived using the basis set out in Note 1 to the financial statements.

## Environmental Regulation

The operations of the Trust are not subject to any particular environmental regulations under Commonwealth, State or Territory law.

The operations of the underlying assets in which the Trust invests are subject to environmental regulations.

## Rounding of Amounts in the Mandated Assets Committee's Report

Amounts in the Committee's Report have been rounded to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of the Mandated Assets Committee.



**Francis Kwok**

Director

Macquarie Specialised Asset Management Limited  
as Trustee for State Super A-Train Trust and Chair  
of the Mandated Assets Committee

Sydney

30 August 2018

# Statement of Comprehensive Income

for the year ended 30 June 2018

|  | Note | \$'000<br>2018 | \$'000<br>2017 |
|--|------|----------------|----------------|
| <b>Revenue and other income</b>                    |      |                |                |
| Revenue  | 3    | 2              | -              |
| Other income                                       | 3    | 39,479         | 45,908         |
| <b>Total revenue and other income</b>              |      | <b>39,481</b>  | <b>45,908</b>  |
| <b>Operating expenses</b>                          |      |                |                |
| Other expenses                                     | 3    | -              | 354            |
| <b>Total operating expenses</b>                    |      | <b>-</b>       | <b>354</b>     |
| <b>Profit for the year</b>                         |      | <b>39,481</b>  | <b>45,554</b>  |
| <b>Finance costs attributable to unitholders</b>   |      |                |                |
| Distribution to unitholders                        | 7    | (2,941)        | (15,820)       |
| Increase in net assets attributable to unitholders | 8    | (36,540)       | (29,734)       |
| <b>Profit attributable to unitholders</b>          |      | <b>-</b>       | <b>-</b>       |
| Other comprehensive income                         |      | -              | -              |
| <b>Total comprehensive income</b>                  |      | <b>-</b>       | <b>-</b>       |

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

# Statement of Financial Position

as at 30 June 2018

|   | Note | \$'000<br>2018 | \$'000<br>2017 |
|---|------|----------------|----------------|
| <b>Assets</b>   |      |                |                |
| <b>Current assets</b>   |      |                |                |
| Cash and cash equivalents   | 4    | 936            | 46             |
| Receivables   | 5    | -              | 15,262         |
| <b>Total current assets</b>   |      | <b>936</b>     | <b>15,308</b>  |
| <b>Non-current assets</b>   |      |                |                |
| Financial assets held at fair value through profit or loss                  | 6    | 331,727        | 294,150        |
| <b>Total non-current assets</b>   |      | <b>331,727</b> | <b>294,150</b> |
| <b>Total assets</b>   |      | <b>332,663</b> | <b>309,458</b> |
| <b>Liabilities</b>  |      |                |                |
| <b>Current liabilities</b>  |      |                |                |
| Distribution payable  | 7    | 1,927          | 15,262         |
| <b>Total current liabilities</b>  |      | <b>1,927</b>   | <b>15,262</b>  |
| <b>Total liabilities (excluding net assets attributable to unitholders)</b> |      | <b>1,927</b>   | <b>15,262</b>  |
| <b>Net assets attributable to unitholders – liability</b>                   | 8    | <b>330,736</b> | <b>294,196</b> |

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

# Statement of Changes in Equity

for the year ended 30 June 2018

|   | \$'000 |
|---|--------|
|   | Total  |
| <b>2018</b>                             |        |
| Total equity at 1 July 2017             | -      |
| Profit attributable to unitholders      | -      |
| Other comprehensive income              | -      |
| Total comprehensive income for the year | -      |
| <b>Total equity at 30 June 2018</b>     | -      |
| <b>2017</b>                             |        |
| Total equity at 1 July 2016             | -      |
| Profit attributable to unitholders      | -      |
| Other comprehensive income              | -      |
| Total comprehensive income for the year | -      |
| <b>Total equity at 30 June 2017</b>     | -      |

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



# Statement of Cash Flows

for the year ended 30 June 2018

|  | Note | \$'000<br>2018  | \$'000<br>2017  |
|--|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                                    |      |                 |                 |
| Interest received from cash and cash equivalents                               |      | 2               | -               |
| Finance cost paid  |      | -               | (1)             |
| Distributions received   |      | 17,136          | 12,879          |
| <b>Net cash inflow from operating activities</b>                               | 9    | <b>17,138</b>   | <b>12,878</b>   |
| <b>Cash flows from financing activities</b>                                    |      |                 |                 |
| Distributions paid   | 7    | (16,276)        | (12,636)        |
| <b>Net cash outflow from financing activities</b>                              |      | <b>(16,276)</b> | <b>(12,636)</b> |
| <b>Net increase in cash and cash equivalents</b>                               |      | <b>862</b>      | <b>242</b>      |
| Cash and cash equivalents at the beginning of the year                         |      | 46              | 48              |
| Effects of foreign currency exchange rate changes on cash and cash equivalents |      | 28              | (244)           |
| <b>Cash and cash equivalents at the end of the year</b>                        | 4    | <b>936</b>      | <b>46</b>       |

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

# Notes to the Financial Statements

for the year ended 30 June 2018

## 1. Summary of Significant Accounting Policies

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

### (a) Basis of preparation

This special purpose financial report covers State Super A-Train Trust ("the Trust") as an individual entity. The entity is a for-profit organisation.

In the opinion of the Mandated Asset Committee ("the Committee"), the Trust is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared for the purposes of complying with the requirements of the Trust constituent documents to prepare and distribute a special purpose financial report to the unitholder and must not be used for any other purpose.

The financial report has been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB"). It contains the disclosures that are mandatory under Australian Accounting Standards and those considered necessary by the directors to meet the needs of the members. The Committee have determined that the accounting policies adopted are appropriate to meet the needs of the members.

The special purpose financial report has not been audited.

### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

### (b) Standards, interpretations and amendments to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are not mandatory for the Trust for the accounting period ended 30 June 2018 and have not been early adopted by the Trust. The assessment of the impact of these new standards and interpretations, to the extent these are relevant to the Trust, are set out below:

#### i. AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 *Financial Instruments* ("AASB 9") addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has also introduced revised rules around hedge accounting and impairment.

The standard is effective for annual reporting periods beginning on or after 1 January 2018 and is to be applied retrospectively. The Trust will first apply the amendments in the financial year beginning 1 July 2018.

The directors have assessed the impact of AASB 9 on the Trust's financial statements. Given no financial instruments are held by the Trust which could result in a reclassification of the instrument to amortised cost or fair value through other comprehensive income ("FVOCI"), the adoption of AASB 9 is not expected to have a significant impact on the recognition and measurement of the Trust's financial instruments. Application of AASB 9's new expected credit loss impairment model is also not expected to have any material impact on the Trust.

The derecognition rules have not been changed from the previous requirements and the Trust does not apply hedge accounting.

#### ii. AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.



# Notes to the Financial Statements

for the year ended 30 June 2018

The standard is effective for annual reporting periods beginning on or after 1 January 2018. The Trust will first apply the amendments in the financial year beginning 1 July 2018.

The Trust's sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have any material impact on the Trust's accounting policies or the amounts recognised in the financial statements.

### iii. AASB 16 Leases (effective from 1 January 2019)

AASB 16 *Leases* will replace AASB 117 *Leases*. It requires recognition of a right of use asset along with the associated lease liability where the Trust is a lessee. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. Lessor accounting would largely remain unchanged. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Trust will first apply the amendments in the financial year beginning 1 July 2019. Initial application is not expected to result in any material impact on the basis that the Trust does not hold operating or finance leases of any kind.

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

### (c) Critical accounting estimates and significant judgements

The preparation of financial statements in accordance with Australian Accounting Standards as adopted by the Trust requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Trust's accounting policies.

The area involving a higher degree of judgement or complexity is the subsequent measurement of investments in financial assets measured at fair value through profit or loss, which is measured at estimated fair value. Refer to Note 1(j) and Note 6 for further information on the valuation of investments.

### (d) Foreign currency translation

#### *Functional and presentation currency*

Items included in the financial statements of the Trust are measured using the currency of the primary economic environment in which the Trust operates ("the functional currency"). The financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

#### *Transactions and balances*

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 translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

# Notes to the Financial Statements

for the year ended 30 June 2018

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## **(e) Revenue and other income recognition**

Revenue comprises interest income on cash and cash equivalents and is recognised as it accrues in accordance with the effective interest method. Other income comprises gains or losses on financial assets held at fair value through profit or loss and represent changes in the fair value of investments and associated interest bearing securities. Income relating to these investments is brought to account as described in Note 1(j).

## **(f) Expenses**

All expenses, are recognised in the State Statement of Comprehensive Income on an accruals basis.

## **(g) Income tax**

Income tax has not been brought to account in respect of the Trust as, pursuant to the *Income Tax Assessment Act 1936*, the Trust is not liable for income tax provided that its distributable income is fully distributed to unitholders each year.

Financial assets held at fair value may include unrealised gains. Should such a gain be realised, the portion of the gain that is assessable for tax will be included in the distributable income such that the Trust is not subject to tax on it.

Realised losses are not distributed to unitholders but are retained in the Trust for possible offset against other income or gains.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

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

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **(i) Receivables**

Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value and subsequently measured at amortised cost less any provision for doubtful debts. A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end where there is objective evidence of impairment. Bad debts are written off in the period in which they are identified.

## **(j) Investments in financial assets at fair value through profit or loss**

Investments in unlisted infrastructure companies and trusts, including associated loans and interest bearing securities, are designated as "financial assets at fair value through profit or loss" upon initial recognition.

The Trust recognises financial assets on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date. Investments are derecognised when the right to receive cash flows from investments have expired or the Trust has transferred all risks and rewards of ownership.

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets at fair value through profit or loss are also subsequently measured at fair value. Fair valuations are performed in accordance with AASB 13 *Fair Value Measurement*. Changes in the fair value of investments, both positive and negative, are recognised in the Statement of Comprehensive Income.



# Notes to the Financial Statements

for the year ended 30 June 2018

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Interest, dividends and other distributions received from investments are credited against the carrying value of relevant investments when received. The effect of this is that the Trust does not present any distribution, dividend or other income that it may have received from the investments separately through profit or loss. Because the Trust adjusts its investments to the fair value at each reporting date, these receipts are effectively shown as a part of gains or losses on financial assets held at fair value through profit or loss.

Changes in the fair value of investments denominated in a foreign currency and classified as "financial assets at fair value through profit or loss" are analysed between translation differences resulting from changes in foreign currency translation of the investment and other changes in the fair value of the investment.

## **(k) Derivative financial instruments**

The Trust enters into forward foreign exchange contracts from time to time.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are not designated as hedges and any changes in their fair value are recognised immediately in the Statement of Comprehensive Income.

## **(l) Payables**

Liabilities are recognised at fair value when the Trust becomes obliged to make future payments as a result of a purchase of assets or services, whether or not billed to the Trust.

## **(m) Unitholders' funds**

Each unit is entitled to a pro-rata share of the net assets of the Trust upon its liquidation. Unitholders are presently entitled at the end of the year to the distributable income of the Trust for that year. Accordingly, net assets attributable to unitholders are classified as a financial liability rather than equity, and is presented as a non-current liability called "Net Assets Attributable to Unitholders", which is measured at fair value.

## **(n) Distributions**

Distributions paid are recognised as finance costs attributable to unitholders.

A provision for distribution to unitholders at the end of the year is made to the extent that any obligation exists at that time pursuant to the Trust constituent documents to pay distributions to unitholders.

## **(o) Comparative figures**

Where necessary, comparative figures have been adjusted to conform with changes in presentation and accounting policy in the current year.

## **(p) Rounding of amounts in the financial statements**

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

# Notes to the Financial Statements

for the year ended 30 June 2018

## 2. Trust Formation and Termination

The Trust was established on 30 May 2014 and the Trustee at any time may, with the consent on the unitholders, terminate the Trust by written notice to them with effect from the termination date as specified in the notice. The unitholders may also terminate the Trust in accordance with the Trust constituent documents.

## 3. Profit for the Year

|                                       | \$'000<br>2018 | \$'000<br>2017 |
|---------------------------------------|----------------|----------------|
| <b>Revenue</b>                        |                |                |
| Interest income                       | 2              | -              |
|                                       | 2              | -              |
| <b>Other income</b>                   |                |                |
| Revaluation of Investment             | 39,398         | 45,908         |
| Net foreign exchange gain             | 81             | -              |
|                                       | 39,479         | 45,908         |
| <b>Total revenue and other income</b> | <b>39,481</b>  | <b>45,908</b>  |
| <b>Other expenses</b>                 |                |                |
| Net foreign exchange loss             | -              | 353            |
| Finance cost                          | -              | 1              |
|                                       | -              | 354            |
| <b>Total operating expenses</b>       | <b>-</b>       | <b>354</b>     |

## 4. Cash and Cash Equivalents

|              | \$'000<br>2018 | \$'000<br>2017 |
|--------------|----------------|----------------|
| Cash at bank | 936            | 46             |

## 5. Receivables

|                         | \$'000<br>2018 | \$'000<br>2017 |
|-------------------------|----------------|----------------|
| Distribution receivable | -              | 15,262         |

# Notes to the Financial Statements

for the year ended 30 June 2018

## 6. Financial Assets Held at Fair Value through Profit or Loss

Fair value is determined in accordance with a valuation framework provided by an independent valuation specialist. A valuation report for 30 June 2018 was provided by the independent valuation specialist dated 16 July 2018. Discounted cash flow ("DCF") analysis was the methodology applied by the independent valuation specialist which is the generally accepted methodology for valuing infrastructure assets and the basis upon which market participants have derived valuations for infrastructure asset transactions. DCF is the process of estimating future cash flows that are expected to be generated by an asset, and discounting these cash flows to their present value by applying an appropriate discount rate. The discount rate applied to cash flows of a particular asset comprises the risk free interest rate appropriate to the country in which the asset is located and a risk premium, reflecting the uncertainty associated with the cash flows and/or the return over the risk free rate which an investor would require on the asset. The risk free rate is determined using the yields on long dated government bonds in the relevant jurisdiction at the valuation date.

### i. Movements in financial assets held at fair value through profit or loss

| 2018  | Ownership interest   | Net gains on financial assets |  |  |                       |                              |
|---|--|-------------------------------|--|--|-----------------------|------------------------------|
|   |  | \$'000<br>Opening<br>balance  | \$'000<br>Distributions<br>received/<br>receivable | \$'000<br>Foreign<br>exchange<br>effects | \$'000<br>Revaluation | \$'000<br>Closing<br>balance |
| Ipanema Capital Markets Sarl ("Ipanema") and Portare 1 AB ("Portare") | 100.0% in Ipanema and 37.5% in Portare (on a look through basis) | 294,150                       | (1,821)  | (7,889)                                  | 47,287                | 331,727                      |
|   |  | 294,150                       | (1,821)  | (7,889)                                  | 47,287                | 331,727                      |

| 2017  | Ownership interest   | Net gains on financial assets |  |  |                       |                              |
|---|--|-------------------------------|--|--|-----------------------|------------------------------|
|   |  | \$'000<br>Opening<br>balance  | \$'000<br>Distributions<br>received/<br>receivable | \$'000<br>Foreign<br>exchange<br>effects | \$'000<br>Revaluation | \$'000<br>Closing<br>balance |
| Ipanema Capital Markets Sarl ("Ipanema") and Portare 1 AB ("Portare") | 100.0% in Ipanema and 37.5% in Portare (on a look through basis) | 264,414                       | (16,172)   | (6,500)                                  | 52,408                | 294,150                      |
|   |  | 264,414                       | (16,172)   | (6,500)                                  | 52,408                | 294,150                      |



# Notes to the Financial Statements

for the year ended 30 June 2018

## 7. Distributions Paid and Payable to Unitholders

|   | \$'000<br>2018 | \$'000<br>2017 |
|---|----------------|----------------|
| <b>Distributions payable</b>  |                |                |
| Opening balance   | 15,262         | 12,078         |
| Provided during the year  | 2,941          | 15,820         |
| Paid during the year  | (16,276)       | (12,636)       |
| <b>Closing balance</b>  | <b>1,927</b>   | <b>15,262</b>  |
| <b>Distributions declared to unitholders during the year</b>  |                |                |
| Final distribution for the year ended 30 June 2018 of 0.7557 cents per unit paid on 29 August 2018    | 1,927          | -              |
| Interim distribution for the year ended 30 June 2018 of 0.3674 cents per unit paid on 23 January 2018 | 937            | -              |
| Final distribution for the year ended 30 June 2017 of 6.0150 cents per unit paid on 14 July 2017*     | 77             | 15,262         |
| Interim distribution for the year ended 30 June 2017 of 0.3536 cents per unit paid on 25 January 2017 | -              | 902            |
| Final distribution for the year ended 30 June 2016 of 4.6011 cents per unit paid on 15 July 2016**    | -              | (344)          |
|   | <b>2,941</b>   | <b>15,820</b>  |

\* A final distribution for the year ended 30 June 2017 of \$15.339 million (6.015 cents per unit) was paid on 14 July 2017 (\$0.077 million in excess of amount provided for at 30 June 2017)

\*\* A final distribution for the year ended 30 June 2016 of \$11.734 million was paid on 15 July 2016 (\$0.344 million less than amount provided for at 30 June 2016)

## 8. Net Assets Attributable to Unitholders

|   | \$'000<br>2018 | \$'000<br>2017 |
|---|----------------|----------------|
| Opening balance                                     | 294,196        | 264,462        |
| Increase in net assets attributable to unit holders | 36,540         | 29,734         |
| <b>Closing balance</b>                              | <b>330,736</b> | <b>294,196</b> |

# Notes to the Financial Statements

for the year ended 30 June 2018

## 9. Notes to the Statement of Cash Flows

|   | \$'000<br>2018 | \$'000<br>2017 |
|---|----------------|----------------|
| Reconciliation of profit to net cash flow from operating activities |                |                |
| Profit attributable to unitholders                                  | -              | -              |
| Increase in net assets attributable to unitholders                  | 36,540         | 29,734         |
| Gains on financial assets held at fair value through profit or loss | (39,398)       | (45,908)       |
| Distributions to unitholders  | 2,941          | 15,820         |
| Net foreign exchange differences                                    | (81)           | 353            |
| Distributions received  | 17,136         | 12,879         |
| <b>Net cash inflow from operating activities</b>                    | <b>17,138</b>  | <b>12,878</b>  |

### Non-cash financing and investing activities

The Trust did not have any non-cash financing and investing activities in either the current year or prior year.

## 10. Commitments and Contingencies

The Trust has no commitments which are material either individually or in a class.

## 11. Events after Reporting Period

The Trust made a final distribution payment of \$1.9 million for the year ended 30 June 2018 (2017: \$15.3 million) and an interim distribution payment of \$12.9 million for the year ended 30 June 2019 on 29 August 2018.

At the date of this report, there is no other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Trust, the result of those operations or the state of affairs of the Trust subsequent to 30 June 2018 not otherwise disclosed in this report.

# Statement by the Trustee of State Super A-Train Trust

for the year ended 30 June 2018

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As stated in Note 1(a) to the financial statements, the Trust is not considered a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared for the purposes of complying with the requirements of the Trust's constituent documents to prepare and distribute a special purpose financial report to the unitholder.

The financial report has been prepared in accordance with Australian Accounting Standards and mandatory professional reporting requirements to the extent described in Note 1.

Upon delegation by the Trustee Board to the Mandated Assets Committee, the Committee is satisfied that:

- (a) the financial statements and notes set out on pages 6 to 17:
  - (i) comply with Australian Accounting Standards and other mandatory professional reporting requirements as detailed above; and
  - (ii) give a true and fair view of the Trust's financial position as at 30 June 2018 and of its performance for the financial period ended on that date.
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Mandated Assets Committee.



**Francis Kwok**

Director

Macquarie Specialised Asset Management  
Limited as Trustee of State Super A-Train  
Trust and Chair of the Mandated Assets  
Committee

Sydney

30 August 2018

**ALFRED UNIT TRUST**  
**SPECIAL PURPOSE FINANCIAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**AMP Capital Investors Limited**  
**33 Alfred Street,**  
**Sydney, NSW 2000**  
**ACN 001 777 591**

## ALFRED UNIT TRUST

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ALFRED UNIT TRUST

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

|  | 30 June 2018<br>\$  | 30 June 2017<br>\$  |
|--|---------------------|---------------------|
| <b>INVESTMENT INCOME</b>   |                     |                     |
| Dividends  | 7,006,932           | 9,173,664           |
| Interest income  | 1,667,636           | 1,661,396           |
| Net changes in the fair value of financial instruments measured at fair value through profit or loss | <u>17,294,682</u>   | <u>11,522,539</u>   |
| <b>Total investment income/(loss)</b>  | <u>25,969,250</u>   | <u>22,357,599</u>   |
| <b>EXPENSES</b>  |                     |                     |
| <b>Total expenses</b>  | <u>-</u>            | <u>-</u>            |
| <b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS</b>                            | 25,969,250          | 22,357,599          |
| <b>Finance costs attributable to unitholders</b>   |                     |                     |
| Distributions to unitholders   | (8,676,851)         | (10,739,926)        |
| (Increase)/decrease in net assets attributable to unitholders  | <u>(17,292,399)</u> | <u>(11,617,673)</u> |
| <b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS</b>                             | <u>-</u>            | <u>-</u>            |
| Other comprehensive income   | <u>-</u>            | <u>-</u>            |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>   | <u><u>-</u></u>     | <u><u>-</u></u>     |

**ALFRED UNIT TRUST**

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

|  | Notes | 30 June 2018<br>\$        | 30 June 2017<br>\$        |
|--|-------|---------------------------|---------------------------|
| <b>ASSETS</b>  |       |                           |                           |
| Cash and cash equivalents  |       | 4,897,045                 | 6,537,461                 |
| Receivables  | 2     | 61,373                    | 61,801                    |
| Financial assets measured at amortised cost  |       |                           |                           |
| Loans and advances   |       | 17,473,647                | 17,473,647                |
| Financial assets measured at fair value through profit or loss                             |       |                           |                           |
| Unlisted equity securities   |       | <u>227,036,399</u>        | <u>209,741,717</u>        |
| <b>TOTAL ASSETS</b>  |       | <u><u>249,468,464</u></u> | <u><u>233,814,626</u></u> |
| <b>LIABILITIES</b>   |       |                           |                           |
| Distributions payable  |       | <u>4,691,655</u>          | <u>6,330,216</u>          |
| <b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE<br/>TO UNITHOLDERS - LIABILITY*</b> |       | <u>4,691,655</u>          | <u>6,330,216</u>          |
| <b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - EQUITY*</b>                                    |       | <u><u>244,776,809</u></u> | <u><u>-</u></u>           |
| <b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY*</b>                                 |       | <u><u>-</u></u>           | <u><u>227,484,410</u></u> |

\*Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Refer to Note 1(b) for further details.

ALFRED UNIT TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

|  | 30 June 2018       | 30 June 2017 |
|--|--------------------|--------------|
|  | \$                 | \$           |
| Balance at the beginning of the financial year - Equity  | -                  | -            |
| Reclassification of net assets attributable to unitholders from liabilities to equity - transfer in* | 244,776,809        | -            |
| <b>Balance at the end of the financial year - Equity*</b>  | <u>244,776,809</u> | <u>-</u>     |

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

|   |                      |                    |
|---|----------------------|--------------------|
| Balance at the beginning of the financial year - Liability  | 227,484,410          | 205,579,894        |
| Distributions reinvested  | <u>-</u>             | <u>10,286,843</u>  |
|   | 227,484,410          | 215,866,737        |
| Increase/(decrease) in net assets attributable to unitholders   | <u>17,292,399</u>    | <u>11,617,673</u>  |
| Reclassification of net assets attributable to unitholders from liabilities to equity - transfer out* | <u>(244,776,809)</u> | <u>-</u>           |
| <b>Balance at the end of the financial year - Liability*</b>  | <u>-</u>             | <u>227,484,410</u> |

\*Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Refer to Note 1(b) for further details.

ALFRED UNIT TRUST

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

|   | Notes | 30 June 2018<br>\$      | 30 June 2017<br>\$      |
|---|-------|-------------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |       |                         |                         |
| Dividends received  |       | 7,006,932               | 9,173,664               |
| Interest income received  |       | <u>1,668,064</u>        | <u>1,608,705</u>        |
| <b>Net cash inflow/(outflow) from operating activities</b>        | 4(a)  | 8,674,996               | 10,782,369              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |       |                         |                         |
| Distributions paid  |       | <u>(10,315,412)</u>     | <u>(4,409,709)</u>      |
| <b>Net cash inflow/(outflow) from financing activities</b>        |       | (10,315,412)            | (4,409,709)             |
| <b>Net increase/(decrease) in cash and cash equivalents held</b>  |       | (1,640,416)             | 6,372,660               |
| Cash and cash equivalents at the beginning of the financial year  |       | <u>6,537,461</u>        | <u>164,801</u>          |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b> |       | <u><u>4,897,045</u></u> | <u><u>6,537,461</u></u> |

## ALFRED UNIT TRUST

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

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

##### (a) Trust Information

The Alfred Unit Trust (the "Trust") is an unregistered unit trust. AMP Capital Investors Limited, the Trustee of the Trust, is incorporated and domiciled in Australia. The registered office of the Trustee is located at 33 Alfred Street, Sydney, NSW 2000.

The Investment Manager of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited.

The principal activity of the Trust during the financial year is the investment of unitholders' funds in accordance with the Trust Deed. There has been no significant change in the nature of this activity during the financial year.

##### (b) Basis of Preparation

This special purpose Financial Report has been prepared for distribution to the unitholders to fulfil the financial reporting requirements under the Trust Deed. In the opinion of the Trustee, the Trust is not deemed to be a "reporting entity" because there are no users dependent on a general purpose Financial Report.

The Financial Report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the Trustee to meet the needs of users of the Financial Report. The Financial Report has been prepared on a going concern basis and an accrual basis of accounting including the historical cost convention except for financial assets measured at fair value through profit or loss.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Trust's assets and liabilities are held for the purpose of being traded or are expected to be realised within 12 months, except for assets measured at fair value through profit and loss, for which given the nature of the Trust, a reasonable estimate cannot be made of the amount of the balances that are unlikely to be settled within 12 months.

##### *Reclassification of net assets attributable to unitholders from financial liability to equity*

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") tax regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. Prior to 30 June 2018 the Trust classified its net assets attributable to unitholders as liabilities in accordance with AASB132 Financial Instruments: Presentation. In order to allow the Trust to elect into the AMIT tax regime, the Trust's Constitution has been amended and other conditions required to adopt the AMIT tax regime have also been met effective from 30 June 2018. Adopting the AMIT tax regime removes the Trustee's contractual obligation to distribute trust income to unitholders. Consequently, effective from 30 June 2018, the Trust's net assets attributable to unitholders have been reclassified to equity in accordance with AASB 132 Financial Instruments: Presentation.

##### (c) Financial Assets Measured at Fair Value Through Profit or Loss

Financial instruments have been designated as financial instruments held at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

##### *Unlisted equity securities*

The fair value of unlisted equity securities is determined by the Investment Manager using the discounted cash flow methodology. This methodology has been approved by the Trustee.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) Significant Accounting Judgements, Estimates and Assumptions**

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

*Fair value measurement of investments in financial instruments*

The majority of the Trust's investments are financial instruments measured at fair value through profit or loss.

Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets is set out in Note 1(c).

*Loans and Advances*

Loans and advances are initially recognised at fair value and are subsequently remeasured to amortised cost using the effective interest method, less any allowances for impairment. Amortised cost is determined by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. Ongoing reviews of asset values are conducted to assess for any indicators of impairment during the financial year. Where the carrying value exceeds the recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income.

**(e) Investment Income**

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

*Dividend income*

Dividends from unlisted companies are recognised when the dividend is declared.

*Interest income*

Interest income earned on cash and cash equivalents is recognised on an accrual basis.

*Net changes in the fair value of financial instruments measured at fair value through profit or loss*

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

**(f) Expenses**

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

**(g) Recognition and Derecognition of Financial Assets and Liabilities**

Financial assets and financial liabilities are recognised at the date the Trust becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**(h) Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments which are readily convertible to cash on hand at the Trustee's option and which the Trustee uses in its day to day management of the Trust's cash requirements.

**(i) Receivables**

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified less any allowance for doubtful debts. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

## ALFRED UNIT TRUST

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

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (j) Net Assets Attributable to Unitholders

Net assets attributable to unitholders comprise units on issue and undistributed reserves. Prior to 30 June 2018, net assets attributable to unitholders were classified as liabilities and not as equity because the Trustee had a contractual obligation to pay distributable income of the Trust to unitholders and units are redeemable at the unitholders' option (subject to the provisions of the Trust Constitution). In order to allow the Trust to elect into the AMIT tax regime, the Trust's Constitution has been amended and other conditions required to adopt the AMIT tax regime have also been met effective from 30 June 2018. Adopting the AMIT tax regime removes the Trustee's contractual obligation to distribute trust income to unitholders. As the Trustee no longer has any contractual obligations to pay distributions, and the units on issue comprise one class of units with identical features which are equally subordinate to any other financial instruments on issue, the Trust's net assets attributable to unitholders have been reclassified to equity in accordance with AASB 132 Financial Instruments: Presentation.

Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. The fair value of units requested to be redeemed is measured at the redemption amount that would be payable (based on the exit unit price) at the balance date. The Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders. Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Trustee if it is in the best interests of the unitholders.

##### (k) Taxation

Under tax legislation, the Trust is not liable to pay income tax because it has met certain conditions required to adopt the AMIT tax regime effective from 30 June 2018 and for the year ended on that date. Under the AMIT tax regime unitholders are attributed the income of the Trust.

In the comparative period, and under tax legislation, the Trust was not liable to pay income tax since, under the terms of the Trust Deed, the unitholders were presently entitled to the income of the Trust.

##### (l) Distributable Income

Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Up until this date, in accordance with the Trust Deed, the Trust fully distributed its distributable income to unitholders. Such distributions were determined by reference to the taxable income of the Trust. Distributions were recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses arising from net changes in the fair value of financial assets and derivative financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

##### (m) Foreign Currency Transactions

###### *(i) Functional and presentation currency*

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The presentation currency of this Financial Report, and the functional currency of the Trust, is the Australian dollar.

###### *(ii) Transactions and balances*

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated to Australian dollars using the exchange rate at the date when the fair value was determined.

##### (n) Terms and Conditions of Units on Issue

Issued and paid up units are initially recognised at the fair value of the consideration received by the Trust.

Each unit confers upon the unitholder an equal interest in the Trust (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Trust.

Unitholders have various rights under the Trust Deed, which, subject to certain terms and conditions, include the right to:

- have their units redeemed
- attend and vote at meetings of unitholders
- participate in the termination and winding up of the Trust.

Applications received for units in the Trust are recognised net of any transaction costs arising on the issue of units in the Trust. Redemptions from the Trust are recognised gross of any transaction costs payable after the cancellation of units redeemed. Unit entry and exit prices are determined in accordance with the Trust Deed.



**ALFRED UNIT TRUST**

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Goods and Services Tax ("GST")**

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of Financial Position.

Cash flows are disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

# ALFRED UNIT TRUST

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

| 30 June 2018 | 30 June 2017 |
|--------------|--------------|
| \$           | \$           |

### NOTE 2: RECEIVABLES

|                     |               |               |
|---------------------|---------------|---------------|
| Interest receivable | 61,373        | 61,801        |
|                     | <u>61,373</u> | <u>61,801</u> |

| 30 June 2018 | 30 June 2017 |
|--------------|--------------|
| Units        | Units        |

### NOTE 3: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movement in the number of units on issue during the financial year was as follows:

#### Units on Issue

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Opening balance          | 92,113,835        | 87,724,277        |
| Distributions reinvested | -                 | 4,389,558         |
| Closing balance          | <u>92,113,835</u> | <u>92,113,835</u> |

| 30 June 2018 | 30 June 2017 |
|--------------|--------------|
| \$           | \$           |

### NOTE 4: CASH AND CASH EQUIVALENTS

#### (a) Reconciliation of net profit/(loss) attributable to unitholders before finance costs to net cash inflow/(outflow) from operating activities

|  |                  |                   |
|--|------------------|-------------------|
| Net profit/(loss) attributable to unitholders before finance costs                                   | 25,969,250       | 22,357,599        |
| Net changes in the fair value of financial instruments measured at fair value through profit or loss | (17,294,682)     | (11,522,539)      |
| Changes in assets and liabilities:   |                  |                   |
| (Increase)/decrease in receivables   | 428              | (52,691)          |
| <b>Net cash inflow/(outflow) from operating activities</b>   | <u>8,674,996</u> | <u>10,782,369</u> |

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

Non-cash financing activities carried out during the financial year on normal commercial terms and conditions comprised:

|  |   |            |
|--|---|------------|
| Reinvestment of unitholder distributions | - | 10,286,843 |
|--|---|------------|

### NOTE 5: COMMITMENTS AND CONTINGENCIES

The Trust had no commitments or contingencies at 30 June 2018 (30 June 2017: nil).

### NOTE 6: EVENTS OCCURRING AFTER THE BALANCE DATE

Since 30 June 2018 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Trust.

### NOTE 7: AUTHORISATION OF THE FINANCIAL REPORT

The Financial Report of the Alfred Unit Trust for the financial year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 18 September 2018.

## ALFRED UNIT TRUST

### STATEMENT BY THE TRUSTEE

In accordance with a resolution of the Directors of AMP Capital Investors Limited, the Trustee, I state that in the opinion of the Directors of the Trustee:

- (a) The Financial Statements and notes are in accordance with the requirements of the Trust Deed, and:
  - (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
  - (ii) comply with Australian Accounting Standards, to the extent set out in Note 1(b) to the Financial Statements.
- (b) There are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.



Director

18 September 2018, Sydney

**BUROBA PTY LTD**

**A.C.N. 065 388 150**

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

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## INDEPENDENT AUDITOR'S REPORT

### Buroba Pty Ltd

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Buroba Pty Ltd (the Company) which comprise the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Company in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

## **The Directors' Responsibilities for the Financial Statements**

The Directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, unless the Company will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters relating to going concern and the appropriateness of using the going concern basis of accounting.

## **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
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Company carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar  
Director, Financial Audit Services

27 July 2018  
SYDNEY

**BUROBA PTY LTD****A.C.N. 065 388 150****DIRECTOR'S STATEMENT****FOR THE YEAR ENDED 30 JUNE 2018**

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we declare on behalf of Buroba Pty Ltd that in our opinion:

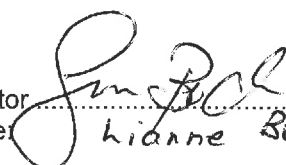
1. The accompanying financial statements exhibit a true and fair view of the financial position of Buroba Pty Ltd as at 30 June 2018 and financial performance for the year then ended.
2. The financial statements have been prepared in accordance with the Australian Accounting standards including Australian Accounting Interpretations, the provisions of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 25<sup>th</sup> day of July 2018 in accordance with a resolution of the Directors.

Director .....

Name: .....



Lianne Buck

Director .....

Name: .....



RAFFI KALENDARIAN

**BUROBA PTY LTD**  
**A.C.N. 065 388 150**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2018**

|  | Note | 2018<br>\$ | 2017<br>\$ |
|--|------|------------|------------|
| Revenue  |      | -          | -          |
| Expense  |      | -          | -          |
| <b>Operating Result before Income Tax</b>      |      | -          | -          |
| Income tax expense                             |      | -          | -          |
| <b>Result for the year</b>                     |      | -          | -          |
| Other comprehensive income                     |      | -          | -          |
| <b>Total comprehensive income for the year</b> |      | -          | -          |

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



**BUROBA PTY LTD**  
**A.C.N. 065 388 150**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

|                           | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|---------------------------|-------------|--------------------------|--------------------------|
| <b>Current Assets</b>     |             |                          |                          |
| Cash and Cash Equivalents |             | 2                        | 2                        |
| <b>Total assets</b>       |             | <u>2</u>                 | <u>2</u>                 |
| <b>Total liabilities</b>  |             | <u>-</u>                 | <u>-</u>                 |
| <b>Net assets</b>         |             | <u>2</u>                 | <u>2</u>                 |
| <b>Equity</b>             |             |                          |                          |
| Contributed Equity        | 4           | 2                        | 2                        |
| <b>Total equity</b>       |             | <u>2</u>                 | <u>2</u>                 |

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

## BUROBA PTY LTD

A.C.N. 065 388 150

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

|   | Note | 2018<br>\$ | 2017<br>\$ |
|---|------|------------|------------|
| Equity At 1 July  |      | 2          | 2          |
| Result for the year   |      | -          | -          |
| Other comprehensive income for the year, net of tax                     |      | -          | -          |
| <b>Total comprehensive income for the year</b>                          |      | -          | -          |
| Transactions with equity holders in their capacity<br>as equity holders |      | -          | -          |
| <b>Total transactions with equity holders</b>                           |      | -          | -          |
| <b>At 30 June</b>   |      | <u>2</u>   | <u>2</u>   |

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

**BUROBA PTY LIMITED**  
**A.C.N. 065 388 150**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| <b>Cash flows from operating activities</b>                             |             |             |
| Net cash flows from operating activities                                | -           | -           |
| <b>Cash flows from investing activities</b>                             |             |             |
| Net cash flows from investing activities                                | -           | -           |
| <b>Cash flows from financing activities</b>                             |             |             |
| Net cash flows from financing activities                                | -           | -           |
| <b>Net increase/decrease in cash and cash equivalents</b>               | -           | -           |
| <b>Cash and cash equivalents at the beginning of the financial year</b> | 2           | 2           |
| <b>Cash and cash equivalents at the end of the financial year</b>       | 2           | 2           |

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

**BUROBA PTY LTD****A.C.N. 065 388 150****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2018****1. Reporting Entity**

Buroba Pty Ltd (the Company) is a dormant entity. It is incorporated in Australia.

The Company is 100% owned by SAS Trustee Corporation (STC) as a special purpose entity set up for the purpose of having an ability to enforce the coal royalty rights owned by STC.

The Directors have determined the Company to be a for-profit entity for financial reporting purposes.

The financial statements were authorised by the Directors on 25th July 2018.

**2. Significant Accounting Policies****Basis of Accounting**

The Company's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- *the Public Finance and Audit Act 1983*
- *the Public Finance and Audit Regulation 2015*
- Australian Accounting Standards and Australian Accounting Interpretations

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest dollar and are expressed in Australian currency.

**Revenue Recognition**

Revenue is recognised when the entity gains control of the good or right to receive, it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably.

**Employee Benefits**

The Company has no employees.

**Accounting Standards Issued but not yet effective**

Management has assessed the impact of Australian Accounting Standards and did not identify any material impacts.

**BUROBA PTY LTD****A.C.N. 065 388 150****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2018****3. Auditor's Remuneration**

|  | <b>2018</b>  | <b>2017</b>  |
|--|--------------|--------------|
|  | <b>\$</b>    | <b>\$</b>    |
| Fee for the audit of the financial statements to the Audit Office of NSW | 3,500        | 3,000        |
|  | <u>3,500</u> | <u>3,000</u> |

Audit Fees of the Company are paid for by the parent entity – SAS Trustee Corporation (STC).

**4. Contributed Equity**

Contributed equity continues to represent issued capital comprising 2 shares at \$1.00 each.

**BUROBA PTY LTD****A.C.N. 065 388 150****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2018****5. Contingent Liabilities**

The Company has no contingent liabilities at 30 June 2018 (2017: nil).

**6. Commitments for Capital or Lease Expenditure**

The Company has no commitment for capital or lease expenditure at 30 June 2018 (2017: nil).

**7. Key Management Personnel Compensation**

The key management personnel of the Company were the following Directors in office during the year ended 30 June 2018 and up to the date of signing these financial statements:

- Mr Raffi Kalenderian
- Ms Lianne Buck

The Directors did not receive any benefits from the Company or from any related entities in relation to the management of the Company.

**8. Related Party Information**

SAS Trustee Corporation owns 100% of the shares of the Company since 15 July 1997. As in prior years, there were no transactions between the Company and the parent entity except the payment of the audit and lodgement fee as below:

**Material Assistance Provided at no cost to the Company**

|                  | <b>2018</b>  | <b>2017</b>  |
|------------------|--------------|--------------|
|                  | <b>\$</b>    | <b>\$</b>    |
| Provided by STC: |              |              |
| • Lodgement fees | 254          | 249          |
| • Audit fees     | 3,500        | 3,000        |
|                  | <u>3,754</u> | <u>3,249</u> |

It is not practicable to reliably measure the value of assistance provided by staff of Deutsche Australia Limited (terminated 28 November 2016) or by the New South Wales Treasury Corporation from 28 November 2016 to the Company in relation to administrative, accounting and legal support.

**BUROBA PTY LTD**

**A.C.N. 065 388 150**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2018**

**9. Subsequent Events**

Directors are not aware of any matters or circumstances that have arisen since the end of the financial year which would have a material effect on the Company's financial statements as at 30 June 2018.

**End of Audited Financial Statements.**

**DUQUESNE UTILITIES TRUST**  
**SPECIAL PURPOSE FINANCIAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**STC Funds Nominee Pty Ltd**  
**Level 16, 83 Clarence St**  
**Sydney, NSW 2000**  
**ACN 124 181 728**



## DUQUESNE UTILITIES TRUST

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**DUQUESNE UTILITIES TRUST**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

|  | <b>30 June 2018</b> | <b>30 June 2017</b> |
|--|---------------------|---------------------|
|  | <b>\$</b>           | <b>\$</b>           |
| <b>INVESTMENT INCOME</b>   |                     |                     |
| Trust distributions received   | 786,370             | 605,854             |
| Interest received  | 1,488               | 654                 |
| Other income   | 30,505              | 7,325               |
| Net changes in the fair value of financial instruments measured at fair value through profit or loss | 2,563,942           | 30,535,579          |
| <b>Total investment income</b>   | <u>3,382,305</u>    | <u>31,149,412</u>   |
| <b>EXPENSES</b>  |                     |                     |
| Other expenses   | -                   | 109                 |
| <b>Total expenses</b>  | <u>-</u>            | <u>109</u>          |
| <b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS</b>                            | <b>3,382,305</b>    | <b>31,149,303</b>   |
| <b>Finance costs attributable to unitholders</b>   |                     |                     |
| Distributions to unitholders   | -                   | (83,228,439)        |
| (Increase)/decrease in net assets attributable to unitholders  | (3,382,305)         | 52,079,136          |
| <b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS</b>                             | <u>-</u>            | <u>-</u>            |
| Other comprehensive income   | -                   | -                   |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>   | <u>-</u>            | <u>-</u>            |

# DUQUESNE UTILITIES TRUST

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

|   | Notes | 30 June 2018<br>\$ | 30 June 2017<br>\$ |
|---|-------|--------------------|--------------------|
| <b>ASSETS</b>   |       |                    |                    |
| Cash and cash equivalents   | 3(a)  | 5,000              | 590,385            |
| Income receivable   |       | 47                 | 30,475             |
| Financial assets measured at fair value through profit or loss              | 4     | 29,218,800         | 26,654,858         |
| <b>TOTAL ASSETS</b>   |       | <b>29,223,847</b>  | <b>27,275,718</b>  |
| <b>LIABILITIES</b>  |       |                    |                    |
| Distribution payable  |       | -                  | -                  |
| <b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b> |       | <b>-</b>           | <b>-</b>           |
| <b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>                               |       | <b>29,223,847</b>  | <b>27,275,718</b>  |

# DUQUESNE UTILITIES TRUST

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

|   | Notes | 30 June 2018<br>\$       | 30 June 2017<br>\$       |
|---|-------|--------------------------|--------------------------|
| Balance at the beginning of the financial year                |       | 27,275,718               | 155,680,236              |
| Redemptions   |       | -                        | (512)                    |
| Units issued  | 2     | -                        | 28,537,648               |
| Return of capital   |       | (1,434,176)              | (102,264,274)            |
|   |       | <u>25,841,542</u>        | <u>81,953,098</u>        |
| Increase/(decrease) in net assets attributable to unitholders |       | 3,382,305                | (52,079,136)             |
| Effect of exchange rates                                      |       | -                        | (2,598,244)              |
| <b>Balance at the end of the financial year</b>               |       | <b><u>29,223,847</u></b> | <b><u>27,275,718</u></b> |

# DUQUESNE UTILITIES TRUST

## STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

|   | Notes | 30 June 2018<br>\$ | 30 June 2017<br>\$   |
|---|-------|--------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |       |                    |                      |
| Trust distributions received                                      |       | 816,230            | 575,994              |
| Interest received   |       | 2,056              | 39                   |
| Other income received   |       | 30,505             | 7,325                |
| Other expenses paid   |       | -                  | (109)                |
| <b>Net cash inflow/(outflow) from operating activities</b>        | 3(b)  | <b>848,791</b>     | <b>583,249</b>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |       |                    |                      |
| Return of capital on units held                                   |       | -                  | 3,445,328            |
| Purchase of financial instruments                                 |       | -                  | (28,537,648)         |
| Proceeds from sale of financial instruments                       |       | -                  | 184,654,267          |
| <b>Net cash inflow/(outflow) from investing activities</b>        |       | <b>-</b>           | <b>159,561,947</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |       |                    |                      |
| Payments for redemption by unitholders                            |       | -                  | (519)                |
| Units issued  |       | -                  | 28,537,648           |
| Distributions paid to unitholders                                 |       | -                  | (86,138,983)         |
| Return of capital paid  |       | (1,434,176)        | (103,717,110)        |
| <b>Net cash inflow/(outflow) from investing activities</b>        |       | <b>(1,434,176)</b> | <b>(161,318,964)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents held</b>  |       | <b>(585,385)</b>   | <b>(1,173,768)</b>   |
| Effect of exchange rates on cash                                  |       | -                  | 29,803               |
| Cash and cash equivalents at the beginning of the financial year  |       | 590,385            | 1,734,350            |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b> | 3(a)  | <b>5,000</b>       | <b>590,385</b>       |

## DUQUESNE UTILITIES TRUST

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

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Reports are set out below. These policies have been consistently applied to the current financial year and the comparative year, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with the current year disclosures.

##### (a) Trust Information

The Duquesne Utilities Trust (the "Trust") is an unregistered unit trust. STC Funds Nominee Pty Ltd, the Trustee of the Trust, is incorporated and domiciled in Australia. The registered office of the Trustee is located at Level 16, 83 Clarence Street, Sydney, NSW, 2000.

The principal activity of the Trust during the financial year is the investment of unitholders' funds in accordance with the Trust Deed. There has been no significant change in the nature of this activity during the financial year.

##### (b) Basis of Preparation

This Special Purpose Financial Report has been prepared for distribution to the unitholders to fulfil the financial reporting requirements under the Trust Deed. In the opinion of the Trustee, the Trust is not deemed to be a "reporting entity" because there are no users dependent on a General Purpose Financial Report.

The Financial Report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the Trustee to meet the needs of users of the Financial Report. The Financial Report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Trust's assets and liabilities are held for the purpose of being traded or are expected to be realised within 12 months, except for net assets attributable to unitholders which may not be settled within 12 months. Given the nature of the Trust, a reasonable estimate cannot be made of the amount of the balances, if any, that are unlikely to be settled within 12 months.

The Trust's financial statements are presented in Australian Dollars, which is also the Trust's functional currency.

##### (c) Financial Assets Measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit and loss have been classified as held for trading as they are part of a portfolio which is managed for short-term gains. Financial assets are initially recognised at fair value determined as the purchase cost of the financial asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in the Statement of Comprehensive Income.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the year in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

##### *Unlisted equity securities*

The fair value of unlisted equity securities is determined by the Investment Manager using the discounted cash flow methodology. This methodology has been approved by the Trustee.

## DUQUESNE UTILITIES TRUST

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

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

##### (d) Significant Accounting Judgements, Estimates and Assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions be adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in the light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

###### *Fair value measurement of investments in financial instruments*

The majority of the Trust's investments are financial instruments held for trading and are measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets is set out in Note 1(c).

##### (e) Investment Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised.

###### *Dividend income*

Dividends from unlisted companies are recognised when the dividend is received.

###### *Net changes in the fair value of financial instruments measured at fair value through profit or loss*

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior year balance date or initial fair value (if acquired during the financial year).

##### (f) Expenses

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

##### (g) Recognition and Derecognition of Financial Assets and Liabilities

Financial assets and financial liabilities are recognised at the date the Trust becomes a part to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial assets are passed to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

## DUQUESNE UTILITIES TRUST

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

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

**(h) Cash and Cash Equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments which are readily convertible to cash on hand at the Trustee's option and which the Trustee uses in its day to day management of the Trust's cash requirements.

**(i) Net Assets Attributable to Unitholders**

Net assets attributable to unitholders comprise units on issue and undistributed reserves. Net assets attributable to unitholders are classified as financial liabilities and not as equity because the Trustee has a contractual obligation to pay distributable income of the Trust to unitholders and units are redeemable at the unitholders' option (subject to the provisions of the Trust Deed). As there are no equity holders, total comprehensive income is attributable to unitholders and equity for the Trust is nil. Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if unitholders exercised their right to redeem their units. The Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders.

**(j) Taxation**

Under current legislation, the Trust is not liable to pay income tax since, under the terms of the Trust Deed, the unitholders are presently entitled to the income of the Trust.

**(k) Distributable Income**

In accordance with the Trust Deed, the Trust fully distributes its distributable income to unitholders each tax year. Such distributions are determined by reference to the taxable income of the Trust. Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses arising from net changes in the fair values of financial assets and derivative financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

**(l) Foreign Currency Transactions**

*(i) Functional and presentation currency*

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). The presentation currency of this Financial Report, and the functional currency of the Trust, is the Australian dollar.

*(ii) Transactions and balances*

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.



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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(l) Foreign Currency Transactions (cont.)**

*(ii) Transactions and balances (cont.)*

Non-monetary items measured at fair value in foreign currencies are translated to Australian dollars using the exchange rate at the date when the fair value was determined.

**(m) Terms and Conditions of Units on Issue**

Issued and paid up units are initially recognised at the fair value of the consideration received by the Trust.

Each unit confers upon the unitholder an equal interest in the Trust (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset of the Trust.

Unitholders have various rights under the Trust Deed, including the right to:

- Have their units redeemed
- Receive income distributions
- Attend and vote at meetings of unitholders
- Participate in the termination and winding up of the Trust.

Applications received for units in the Trust are recognised net of any transaction costs arising on the issue of units in the Trust. Redemptions from the Trust are recognised gross of any transaction costs payable after the cancellation of units redeemed. Unit exit prices are determined in accordance with the Trust Deed and are calculated on a forward pricing basis as the redemption price per unit less any estimated transaction costs.

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

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of Financial Position.

Cash flows are disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financial activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

# DUQUESNE UTILITIES TRUST

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

|  | 30 June 2018<br>Units | 30 June 2017<br>Units |
|--|-----------------------|-----------------------|
| <b>NOTE 2: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>                                  |                       |                       |
| The movement in the number of units on issue during the financial year was as follows: |                       |                       |
| <b>Units on issue</b>  |                       |                       |
| Opening balance  | 400,000,000           | 88,368,268            |
| Redemptions  | -                     | (88,368,268)          |
| Units issued   | -                     | 400,000,000           |
| Closing balance  | <u>400,000,000</u>    | <u>400,000,000</u>    |
|  | 30 June 2018<br>\$    | 30 June 2017<br>\$    |

### NOTE 3: CASH AND CASH EQUIVALENTS

#### (a) Components of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is linked to the related item in the Statement of Financial Position as follows:

|              |              |                |
|--------------|--------------|----------------|
| Cash at bank | <u>5,000</u> | <u>590,385</u> |
|              | <b>5,000</b> | <b>590,385</b> |

#### (b) Reconciliation of net profit/(loss) attributable to unitholders before finance costs to net cash inflow/(outflow) from operating activities

|  |                       |                       |
|--|-----------------------|-----------------------|
| Net profit/(loss) attributable to unitholders before finance costs                                   | 3,382,305             | 31,149,303            |
| Income receivable  | 30,428                | (30,475)              |
| Net changes in the fair value of financial instruments measured at fair value through profit or loss | (2,563,942)           | (30,535,579)          |
| <b>Net cash inflow/(outflow) from operating activities</b>   | <u><b>848,791</b></u> | <u><b>583,249</b></u> |

### NOTE 4: INVESTMENTS

#### Non-current

|   |                   |                   |
|---|-------------------|-------------------|
| Unlisted investment – QIC Global Infrastructure Fund (at custodian valuation) | 29,218,800        | 26,654,858        |
|   | <u>29,218,800</u> | <u>26,654,858</u> |

## DUQUESNE UTILITIES TRUST

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

#### NOTE 5: COMMITMENTS AND CONTINGENCIES

The trust has no commitments or contingencies at 30 June 2018 (30 June 2017: nil)

#### NOTE 6: EVENTS OCCURRING AFTER THE BALANCE DATE

Since 30 June 2018 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Trust.

#### NOTE 7: AUTHORISATION OF THE FINANCIAL REPORT

The Financial Report of the Duquesne Utilities Trust for the financial year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors of STC Funds Nominee Pty Limited on 4 October 2018 2018.

## DUQUESNE UTILITIES TRUST

### STATEMENT BY THE TRUSTEE

As stated in note 1(b) to the Financial Statements, in the Trustee's Opinion, the Trust is not a "reporting entity".

In accordance with a resolution of the Directors of STC Funds Nominee Pty Ltd, the Trustee, I State that in the opinion of the Directors of the Trustee:

- (a) The Financial Statements and notes are in accordance with the requirements of the Trust Deed, and:
  - (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
  - (ii) comply with Australian Accounting Standards, as set out in Note 1(b) to the Financial Statements.
- (b) There are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.

  
\_\_\_\_\_  
Director

Dated:

## **EG Core Plus Fund No.1 (Head Trust)**

Annual financial report - 30 June 2018

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|   | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|---|-------------|--------------------------|--------------------------|
| Revenue   | 3           | 46,519,075               | 49,855,542               |
| Interest income   |             | 25,382                   | 407,488                  |
| Administration expenses   |             | (226,426)                | (431,157)                |
| Management fees   |             | (1,685,412)              | (1,641,660)              |
| Performance fees  |             | <u>(20,923,462)</u>      | <u>-</u>                 |
| <b>Profit before income tax expense for the year</b>                            | 4           | 23,709,157               | 48,190,213               |
| Income tax expense  |             | <u>-</u>                 | <u>-</u>                 |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |             | 23,709,157               | 48,190,213               |
| Other comprehensive income for the year, net of tax                             |             | <u>-</u>                 | <u>-</u>                 |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |             | <u>23,709,157</u>        | <u>48,190,213</u>        |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

|                             | <b>Note</b> | <b>2018</b><br>\$        | <b>2017</b><br>\$        |
|-----------------------------|-------------|--------------------------|--------------------------|
| <b>Assets</b>               |             |                          |                          |
| <b>Current assets</b>       |             |                          |                          |
| Cash and cash equivalents   | 5           | 3,618,210                | 1,507,081                |
| Trade and other receivables | 6           | 200                      | 204,271                  |
| Total current assets        |             | <u>3,618,410</u>         | <u>1,711,352</u>         |
| <b>Non-current assets</b>   |             |                          |                          |
| Investments                 | 7           | <u>70,874,928</u>        | <u>79,589,917</u>        |
| Total non-current assets    |             | <u>70,874,928</u>        | <u>79,589,917</u>        |
| <b>Total assets</b>         |             | <u>74,493,338</u>        | <u>81,301,269</u>        |
| <b>Liabilities</b>          |             |                          |                          |
| <b>Current liabilities</b>  |             |                          |                          |
| Trade and other payables    | 8           | <u>20,997,546</u>        | <u>89,915</u>            |
| Total current liabilities   |             | <u>20,997,546</u>        | <u>89,915</u>            |
| <b>Total liabilities</b>    |             | <u>20,997,546</u>        | <u>89,915</u>            |
| <b>Net assets</b>           |             | <u><b>53,495,792</b></u> | <u><b>81,211,354</b></u> |
| <b>Equity</b>               |             |                          |                          |
| Unit capital                | 9           | 75,096,417               | 75,096,417               |
| Retained earnings           | 10          | <u>(21,600,625)</u>      | <u>6,114,937</u>         |
| <b>Total equity</b>         |             | <u><b>53,495,792</b></u> | <u><b>81,211,354</b></u> |

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



## **Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 ('Head Trust') (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 17 February 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower  
Suite 1, Level 21  
1 Farrer Place  
Sydney NSW 2000

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

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

### **(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users' dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

### **(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

### **(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

#### *Interest*

Interest revenue is recognised on a time proportion basis using the effective interest method.

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

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

### **(e) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

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

### (f) Trade and other payables

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

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

### (g) Unit holders' funds

Unit holders' funds are classified as unit capital in equity.

### (h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### (i) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

### (j) Investment

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

## Note 3. Revenue

|                      | 2018              | 2017              |
|----------------------|-------------------|-------------------|
|                      | \$                | \$                |
| Distribution revenue | <u>46,519,075</u> | <u>49,855,542</u> |

**Note 4. Expenses**

| 2018 | 2017 |
|------|------|
| \$   | \$   |

Profit/(loss) before income tax includes the following specific expenses:

Auditors remuneration:

Audit of the financial report

Other services

|               |               |
|---------------|---------------|
| 31,000        | 30,500        |
| 32,400        | 32,400        |
| <u>63,400</u> | <u>62,900</u> |

**Note 5. Current assets - Cash and cash equivalents**

| 2018 | 2017 |
|------|------|
| \$   | \$   |

Cash at bank and on hand

|                  |                  |
|------------------|------------------|
| <u>3,618,210</u> | <u>1,507,081</u> |
|------------------|------------------|

**Note 6. Current assets – Trade and other receivables**

| 2018 | 2017 |
|------|------|
| \$   | \$   |

Other receivables

|            |                |
|------------|----------------|
| <u>200</u> | <u>204,271</u> |
|------------|----------------|

**Note 7. Non-current assets – Investments**

| 2018 | 2017 |
|------|------|
| \$   | \$   |

Units in EG Core Plus Fund No. 1 holding trusts - at cost

|                   |                   |
|-------------------|-------------------|
| <u>70,874,928</u> | <u>79,589,917</u> |
|-------------------|-------------------|

(a) Reconciliation of the investments at the beginning and end of the financial year are set out below:

| 2018 | 2017 |
|------|------|
| \$   | \$   |

Opening balance

|            |             |
|------------|-------------|
| 79,431,000 | 134,431,000 |
|------------|-------------|

Return of capital

|                    |                     |
|--------------------|---------------------|
| <u>(8,556,072)</u> | <u>(55,000,000)</u> |
|--------------------|---------------------|

Closing balance

|                   |                   |
|-------------------|-------------------|
| <u>70,874,928</u> | <u>79,431,000</u> |
|-------------------|-------------------|

**Note 8. Trade and other payables**

| 2018 | 2017 |
|------|------|
| \$   | \$   |

Other payables

|                   |               |
|-------------------|---------------|
| <u>20,997,546</u> | <u>89,915</u> |
|-------------------|---------------|

**Note 9. Unit capital**

|                                    | <b>2018</b>       | <b>2017</b>        | <b>2018</b>       | <b>2017</b>       |
|------------------------------------|-------------------|--------------------|-------------------|-------------------|
|                                    | <b>Number</b>     | <b>Number</b>      | <b>\$</b>         | <b>\$</b>         |
| Ordinary units                     | <u>75,096,417</u> | <u>75,096,417</u>  | <u>75,096,417</u> | <u>75,096,417</u> |
| <i>Movements in ordinary units</i> |                   |                    |                   |                   |
|                                    |                   | <b>No of units</b> |                   | <b>\$</b>         |
| Balance at 1 July 2017             |                   | 75,096,417         | \$1.00            | 75,096,417        |
| Return of capital                  |                   | -                  | -                 | -                 |
| Balance at 30 June 2018            |                   | <u>75,096,417</u>  |                   | <u>75,096,417</u> |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Fund in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 10. Retained earnings**

Movements in retained earnings during the financial period are as follows:

|  | <b>2018</b>         | <b>2017</b>      |
|--|---------------------|------------------|
|  | <b>\$</b>           | <b>\$</b>        |
| Retained earnings at the beginning of the period                 | 6,114,937           | 4,344,571        |
| Profit after income tax expense for the period                   | 23,709,157          | 48,190,213       |
| Distributions paid to unit holders                               | (51,424,719)        | (46,419,850)     |
| (Accumulated losses)/ retained earnings at the end of the period | <u>(21,600,625)</u> | <u>6,114,937</u> |

**Note 11. Trust details****(a) The Trust**

The Trust was officially established on 17 February 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 16 February 2094.

**(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:

Level 15  
20 Bond Street  
Sydney NSW 2000

## **Note 11. Trust details**

### **(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:


Governor Phillip Tower  
Suite 1, Level 21,  
1 Farrer Place  
Sydney NSW 2000

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Holding Trust No.1**

**Annual Report**  
**For the year ended 30 June 2018**

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|   | Notes | 2018<br>\$ | 2017<br>\$ |
|---|-------|------------|------------|
| Distribution income   | 3     | -          | 13,134,370 |
| Other income  |       | -          | -          |
| Expenses  |       | -          | -          |
| <b>Profit before income tax</b>   |       | -          | 13,134,370 |
| Income tax expense  |       | -          | -          |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |       | -          | 13,134,370 |
| Other comprehensive income for the period                                       |       | -          | -          |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |       | -          | 13,134,370 |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

|   | Notes | 2018<br>\$ | 2017<br>\$ |
|---|-------|------------|------------|
| <b>Assets</b>   |       |            |            |
| <b>Non-current assets</b>                               |       |            |            |
| Investment in EG Core Plus Fund No1 Ownership Trust No1 | 4     | 44,526     | 286,968    |
| Total non-current assets                                |       | 44,526     | 286,968    |
| <b>Total assets</b>                                     |       | 44,526     | 286,968    |
| <b>Liabilities</b>                                      |       |            |            |
| <b>Total liabilities</b>                                |       | -          | -          |
| <b>Net assets</b>                                       |       | 44,526     | 286,968    |
| <b>Equity</b>   |       |            |            |
| Unit capital  | 5     | 44,526     | 286,968    |
| Retained earnings                                       | 6     | -          | -          |
| <b>Total equity</b>                                     |       | 44,526     | 286,968    |

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

## **Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.1 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 17 February 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.1 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21

1 Farrer Place

Sydney NSW 2000

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

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

### **(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

### **(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

### **(c) Distribution income**

Distribution income is measured at the fair value of the consideration received or receivable.

### **(d) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

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

### **(f) Investment**

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

### **(g) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**Note 3. Distribution income**

|                              | 2018<br>\$ | 2017<br>\$ |
|------------------------------|------------|------------|
| Distribution income received | -          | 13,134,370 |

**Note 4. Non-current assets - Investments**

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 1 | 44,526     | 286,968    |

**(a) Reconciliation of the investment in EG Core Plus Fund No. 1 Ownership Trust No. 1 at the beginning and end of the financial year are set out below:**

|                            | 2018<br>\$ | 2017<br>\$   |
|----------------------------|------------|--------------|
| Opening balance at 1 July  | 286,968    | 10,445,000   |
| Return of capital          | (242,442)  | (10,158,032) |
| Closing balance at 30 June | 44,526     | 286,968      |

**Note 5. Unit capital**

|                | 2018<br>Number | 2017<br>Number | 2018<br>\$ | 2017<br>\$ |
|----------------|----------------|----------------|------------|------------|
| Ordinary units | 44,526         | 286,968        | 44,526     | 286,968    |

*Movements in ordinary units*

|                         | No of units | Issue price | \$        |
|-------------------------|-------------|-------------|-----------|
| Balance at 1 July 2017  | 286,968     | \$1.00      | 286,968   |
| Return of capital       | (242,442)   | \$1.00      | (242,442) |
| Balance at 30 June 2018 | 44,526      | \$1.00      | 44,526    |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 6. Retained earnings**

Movements in retained earnings during the financial year are as follows:

|  | 2018<br>\$ | 2017<br>\$   |
|--|------------|--------------|
| Retained earnings at the beginning of the year | -          | -            |
| Profit after income tax expense for the year   | -          | 13,134,370   |
| Distribution paid during the year              | -          | (13,134,370) |
| Retained earnings at the end of the year       | -          | -            |

## **Note 7. Trust details**

### **(a) The Trust**

The Trust was officially established on 17 February 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 16 February 2094, unless otherwise extended under Schedule 5 of the Investors Deed.

### **(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15  
20 Bond Street  
Sydney NSW 2000

### **(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Holding Trust No.2**

**Annual Report**  
**For the year ended 30 June 2018**



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|   | Notes | 2018<br>\$ | 2017<br>\$ |
|---|-------|------------|------------|
| Distribution income   | 3     | -          | 1,567,945  |
| Other income  |       | -          | -          |
| Expenses  |       | -          | -          |
| <b>Profit before income tax</b>   |       | -          | 1,567,945  |
| Income tax expense  |       | -          | -          |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |       | -          | 1,567,945  |
| Other comprehensive income for the period                                       |       | -          | -          |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |       | -          | 1,567,945  |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

|   | Note | 2018<br>\$               | 2017<br>\$               |
|---|------|--------------------------|--------------------------|
| <b>Assets</b>   |      |                          |                          |
| <b>Non-current assets</b>                                   |      |                          |                          |
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 2 | 4    | <u>23,230,000</u>        | <u>23,230,000</u>        |
| Total non-current assets                                    |      | <u>23,230,000</u>        | <u>23,230,000</u>        |
| <b>Total assets</b>   |      | <u>23,230,000</u>        | <u>23,230,000</u>        |
| <b>Liabilities</b>  |      |                          |                          |
| <b>Total liabilities</b>                                    |      | <u>-</u>                 | <u>-</u>                 |
| <b>Net assets</b>   |      | <u><b>23,230,000</b></u> | <u><b>23,230,000</b></u> |
| <b>Equity</b>   |      |                          |                          |
| Unit capital  | 5    | 23,230,000               | 23,230,000               |
| Retained earnings   | 6    | <u>-</u>                 | <u>-</u>                 |
| <b>Total equity</b>   |      | <u><b>23,230,000</b></u> | <u><b>23,230,000</b></u> |

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

## **Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.2 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 29 August 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.2 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

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

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

### **Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

### **Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

### **Distribution income**

Distribution income is measured at the fair value of the consideration received or receivable.

### **Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

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

### **Investment**

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**Note 3. Distribution income**

|                              | 2018<br>\$ | 2017<br>\$ |
|------------------------------|------------|------------|
| Distribution income received | -          | 1,567,945  |

**Note 4. Non-current assets – Investments**

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 2 | 23,230,000 | 23,230,000 |

**Note 5. Unit capital**

|                | 2018<br>Number | 2018<br>\$ | 2017<br>Number | 2017<br>\$ |
|----------------|----------------|------------|----------------|------------|
| Ordinary units | 23,230,000     | 23,230,000 | 23,230,000     | 23,230,000 |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 6. Retained earnings**

Movements in retained earnings during the financial year are as follows:

|  | 2018<br>\$ | 2017<br>\$  |
|--|------------|-------------|
| Retained earnings at the beginning of the year | -          | -           |
| Profit after income tax expense for the year   | -          | 1,567,945   |
| Distribution paid during the year              | -          | (1,567,945) |
| Retained earnings at the end of the year       | -          | -           |

## **Note 7. Trust details**

### **(a) The Trust**

The Trust was officially established on 29 August 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 28 August 2094, unless otherwise extended under Schedule 5 of the Investors Deed.

### **(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15  
20 Bond Street  
Sydney NSW 2000

### **(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

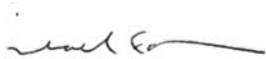
Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018



# **EG Core Plus Fund No.1 Holding Trust No.3**

**Annual Report**  
**For the year ended 30 June 2018**

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|   | Notes | 2018<br>\$ | 2017<br>\$ |
|---|-------|------------|------------|
| Distribution income   | 3     | -          | 13,322,334 |
| Other income  |       | -          | -          |
| Expenses  |       | -          | -          |
| <b>Profit before income tax</b>   |       | -          | 13,322,334 |
| Income tax expense  |       | -          | -          |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |       | -          | 13,322,334 |
| Other comprehensive income for the year   |       | -          | -          |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |       | -          | 13,322,334 |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

|   | Note | 2018<br>\$            | 2017<br>\$              |
|---|------|-----------------------|-------------------------|
| <b>Assets</b>   |      |                       |                         |
| <b>Non-current assets</b>                                   |      |                       |                         |
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 3 | 4    | <u>441,746</u>        | <u>8,006,367</u>        |
| Total non-current assets                                    |      | <u>441,746</u>        | <u>8,006,367</u>        |
| <b>Total assets</b>   |      | <u>441,746</u>        | <u>8,006,367</u>        |
| <b>Liabilities</b>  |      |                       |                         |
| <b>Total liabilities</b>                                    |      | <u>-</u>              | <u>-</u>                |
| <b>Net assets</b>   |      | <u><b>441,746</b></u> | <u><b>8,006,367</b></u> |
| <b>Equity</b>   |      |                       |                         |
| Unit capital  | 5    | 441,746               | 8,006,367               |
| Retained earnings   | 6    | <u>-</u>              | <u>-</u>                |
| <b>Total equity</b>   |      | <u><b>441,746</b></u> | <u><b>8,006,367</b></u> |

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

## **Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.3 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 17 September 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.3 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

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

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

### **(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

### **(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

### **(c) Distribution income**

Distribution income is measured at the fair value of the consideration received or receivable.

### **(d) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

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

### **(f) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

### **(g) Investment**

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

**Note 3. Distribution income**

|                              | 2018<br>\$ | 2017<br>\$ |
|------------------------------|------------|------------|
| Distribution income received | -          | 13,322,334 |

**Note 4. Non-current assets – Investment**

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 3 | 441,746    | 8,006,367  |

**(a) Reconciliation of the investment in EG Core Plus Fund No. 1 Ownership Trust No. 3 at the beginning and end of the financial year are set out below:**

|                   |             |              |
|-------------------|-------------|--------------|
| Opening balance   | 8,006,367   | 33,800,000   |
| Return of capital | (7,564,621) | (25,793,633) |
| Closing balance   | 441,746     | 8,006,367    |

**Note 5. Unit capital**

|                | 2018<br>Number | 2018<br>\$ | 2017<br>Number | 2017<br>\$ |
|----------------|----------------|------------|----------------|------------|
| Ordinary units | 441,746        | 441,746    | 8,006,367      | 8,006,367  |

*Movements in ordinary units*

|                         | No of units | Issue price | \$          |
|-------------------------|-------------|-------------|-------------|
| Balance at 1 July 2017  | 8,006,367   | \$1.00      | 8,006,367   |
| Return of capital       | (7,564,621) | \$1.00      | (7,564,621) |
| Balance at 30 June 2018 | 441,746     | \$1.00      | 441,746     |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 6. Retained earnings**

Movements in retained earnings during the financial year are as follows:

|  | 2018<br>\$ | 2017<br>\$   |
|--|------------|--------------|
| Retained earnings at the beginning of the year | -          | -            |
| Profit after income tax expense for the year   | -          | 13,322,334   |
| Distribution during the year                   | -          | (13,322,334) |
| Retained earnings at the end of the year       | -          | -            |

## **Note 7. Trust details**

### **(a) The Trust**

The Trust was officially established on 17 September 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 16 September 2094, unless otherwise extended under Schedule 5 of the Investors Deed.

### **(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15  
20 Bond Street  
Sydney NSW 2000

### **(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

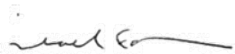


As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Holding Trust No.4**

**Annual Report**  
**For the year ended 30 June 2018**

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|   | Note | 2018<br>\$        | 2017<br>\$       |
|---|------|-------------------|------------------|
| Distribution income   | 3    | 16,266,651        | 1,000,000        |
| Expenses  |      | <u>-</u>          | <u>-</u>         |
| <b>Profit before income tax</b>   |      | 16,266,651        | 1,000,000        |
| Income tax expense  |      | <u>-</u>          | <u>-</u>         |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |      | 16,266,651        | 1,000,000        |
| Other comprehensive income for the year   |      | -                 | -                |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |      | <u>16,266,651</u> | <u>1,000,000</u> |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

|   | Note | 2018<br>\$           | 2017<br>\$               |
|---|------|----------------------|--------------------------|
| <b>Assets</b>   |      |                      |                          |
| <b>Non-current assets</b>                                   |      |                      |                          |
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 4 | 4    | <u>34,665</u>        | <u>13,100,000</u>        |
| Total non-current assets                                    |      | <u>34,665</u>        | <u>13,100,000</u>        |
| <b>Total assets</b>   |      | <u>34,665</u>        | <u>13,100,000</u>        |
| <b>Liabilities</b>  |      |                      |                          |
| <b>Total liabilities</b>                                    |      | <u>-</u>             | <u>-</u>                 |
| <b>Net assets</b>   |      | <u><b>34,665</b></u> | <u><b>13,100,000</b></u> |
| <b>Equity</b>   |      |                      |                          |
| Unit capital  | 5    | 34,665               | 13,100,000               |
| Retained earnings   | 6    | <u>-</u>             | <u>-</u>                 |
| <b>Total equity</b>   |      | <u><b>34,665</b></u> | <u><b>13,100,000</b></u> |

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

## **Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.4 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 8 October 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.4 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

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

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

### **(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

### **(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

### **(c) Distribution income**

Distribution income is measured at the fair value of the consideration received or receivable.

### **(d) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

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

### **(f) Investment**

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

### **(g) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**Note 3. Distribution income**

|                              | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|------------------------------|--------------------------|--------------------------|
| Distribution income received | <u>16,266,651</u>        | <u>1,000,000</u>         |

**Note 4. Non-current assets – Investment**

|   | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|---|--------------------------|--------------------------|
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 4 | <u>34,665</u>            | <u>13,100,000</u>        |

**(a) Reconciliation of the investment in EG Core Plus Fund No. 1 Ownership Trust No. 4 at the beginning and end of the financial year are set out below:**

|                            |                     |                   |
|----------------------------|---------------------|-------------------|
| Opening balance            | 13,100,000          | 13,000,000        |
| Investment during the year | -                   | 100,000           |
| Return of capital          | <u>(13,065,335)</u> | <u>-</u>          |
| Closing balance            | <u>34,665</u>       | <u>13,100,000</u> |

**Note 5. Unit capital**

|                | <b>2018</b><br><b>Number</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>Number</b> | <b>2017</b><br><b>\$</b> |
|----------------|------------------------------|--------------------------|------------------------------|--------------------------|
| Ordinary units | <u>34,665</u>                | <u>34,665</u>            | <u>13,100,000</u>            | <u>13,100,000</u>        |

*Movements in ordinary units*

|                         | <b>No of units</b> | <b>Issue price</b> | <b>\$</b>     |
|-------------------------|--------------------|--------------------|---------------|
| Balance at 1 July 2017  | 13,100,000         | \$1.00             | 13,100,000    |
| Return of capital       | (13,065,335)       | \$1.00             | (13,065,335)  |
| Balance at 30 June 2018 | <u>34,665</u>      | <u>\$1.00</u>      | <u>34,665</u> |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.



## Note 6. Retained earnings

Movements in retained earnings during the financial year are as follows:

|  | 2018<br>\$          | 2017<br>\$         |
|--|---------------------|--------------------|
| Retained earnings at the beginning of the year | -                   | -                  |
| Profit after income tax expense for the year   | 16,266,651          | 1,000,000          |
| Distribution during the year                   | <u>(16,266,651)</u> | <u>(1,000,000)</u> |
| Retained earnings at the end of the year       | <u>-</u>            | <u>-</u>           |

## Note 7. Trust details

### (a) The Trust

The Trust was officially established on 8 October 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 7 October 2094, unless otherwise extended under Schedule 5 of the Investors Deed.

### (b) The Trustee

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15  
20 Bond Street  
Sydney NSW 2000

### (c) The Fund Manager

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Gena  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Holding Trust No.5**

**Annual Report**  
**For the year ended 30 June 2018**

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|   | Note | 2018<br>\$ | 2017<br>\$ |
|---|------|------------|------------|
| Distribution income   | 3    | 1,006      | 19,676,952 |
| Expenses  |      | -          | -          |
| <b>Profit before income tax</b>   |      | 1,006      | 19,676,952 |
| Income tax expense  |      | -          | -          |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |      | 1,006      | 19,676,952 |
| Other comprehensive income for the year, net of tax                             |      | -          | -          |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |      | 1,006      | 19,676,952 |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

|   | Note | 2018<br>\$          | 2017<br>\$            |
|---|------|---------------------|-----------------------|
| <b>Assets</b>   |      |                     |                       |
| <b>Non-current assets</b>                                   |      |                     |                       |
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 5 | 4    | <u>8,347</u>        | <u>510,582</u>        |
| Total non-current assets                                    |      | <u>8,347</u>        | <u>510,582</u>        |
| <b>Total assets</b>   |      | <u>8,347</u>        | <u>510,582</u>        |
| <b>Liabilities</b>  |      |                     |                       |
| <b>Total liabilities</b>                                    |      | <u>-</u>            | <u>-</u>              |
| <b>Net assets</b>   |      | <u>-</u>            | <u><b>510,582</b></u> |
| <b>Equity</b>   |      |                     |                       |
| Unit capital  | 5    | 8,347               | 510,582               |
| Retained earnings   | 6    | <u>-</u>            | <u>-</u>              |
| <b>Total equity</b>   |      | <u><b>8,347</b></u> | <u><b>510,582</b></u> |

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

## **Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.5 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 16 January 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.5 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

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

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

### **(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

### **(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

### **(c) Distribution income**

Distribution income is measured at the fair value of the consideration received or receivable.

### **(d) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

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

### **(f) Investment**

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

### **(g) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.



**Note 3. Distribution income**

|                              | 2018<br>\$ | 2017<br>\$ |
|------------------------------|------------|------------|
| Distribution income received | 1,006      | 19,676,952 |

**Note 4. Non-current assets – Investments**

|   | 2018<br>\$ | 2017<br>\$ |
|---|------------|------------|
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 5 | 8,347      | 510,582    |

(a) Reconciliation of the investment in EG Core Plus Fund No. 1 Ownership Trust No. 5 at the beginning and end of the financial year are set out below:

|                   |           |              |
|-------------------|-----------|--------------|
| Opening balance   | 510,582   | 19,500,000   |
| Return of capital | (502,235) | (18,989,418) |
| Closing balance   | 8,347     | 510,582      |

**Note 5. Unit capital**

| 2018<br>Number | 2018<br>\$ | 2017<br>Number | 2017<br>\$ |
|----------------|------------|----------------|------------|
| 8,347          | 8,347      | 510,582        | 510,582    |

*Movements in ordinary units*

|                         | No of units | Issue price | \$        |
|-------------------------|-------------|-------------|-----------|
| Balance at 1 July 2017  | 510,582     | \$1.00      | 510,582   |
| Return of capital       | (502,235)   | \$1.00      | (502,235) |
| Balance at 30 June 2018 | 8,347       | \$1.00      | 8,347     |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 6. Retained earnings**

Movements in retained earnings during the financial period are as follows:

|  | 2018<br>\$ | 2017<br>\$   |
|--|------------|--------------|
| Retained earnings at the beginning of the    | -          | -            |
| Profit after income tax expense for the year | 1,006      | 19,676,952   |
| Distribution paid during the year            | (1,006)    | (19,676,952) |
| Retained earnings at the end of the year     | -          | -            |

## **Note 7. Trust details**

### **(a) The Trust**

The Trust was officially established on 16 January 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 15 January 2095, unless otherwise extended under Schedule 5 of the Investors Deed.

### **(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15  
20 Bond Street  
Sydney NSW 2000

### **(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

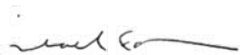
Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Holding Trust No.6**

**Annual Report**  
**For the year ended 30 June 2018**

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|   | Note | 2018<br>\$       | 2017<br>\$     |
|---|------|------------------|----------------|
| Distribution income   | 3    | 8,211,059        | 153,938        |
| Expenses  |      | -                | -              |
| <b>Profit before income tax</b>   |      | 8,211,059        | 153,938        |
| Income tax expense  |      | -                | -              |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |      | 8,211,059        | 153,938        |
| Other comprehensive income for the year   |      | -                | -              |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |      | <b>8,211,059</b> | <b>153,938</b> |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

|   | Note | 2018<br>\$           | 2017<br>\$              |
|---|------|----------------------|-------------------------|
| <b>Assets</b>   |      |                      |                         |
| <b>Non-current assets</b>                                   |      |                      |                         |
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 6 | 4    | <u>19,285</u>        | <u>7,400,000</u>        |
| Total non-current assets                                    |      | <u>19,285</u>        | <u>7,400,000</u>        |
| <b>Total assets</b>   |      | <u>19,285</u>        | <u>7,400,000</u>        |
| <b>Liabilities</b>  |      |                      |                         |
| <b>Total liabilities</b>                                    |      | <u>-</u>             | <u>-</u>                |
| <b>Net assets</b>   |      | <u><b>19,285</b></u> | <u><b>7,400,000</b></u> |
| <b>Equity</b>   |      |                      |                         |
| Unit capital  | 5    | 19,285               | 7,400,000               |
| Retained earnings   | 6    | <u>-</u>             | <u>-</u>                |
| <b>Total equity</b>   |      | <u><b>19,285</b></u> | <u><b>7,400,000</b></u> |

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

## **Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Holding Trust No.6 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 25 March 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.6 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

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

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

### **(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

### **(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

### **(c) Distribution income**

Distribution income is measured at the fair value of the consideration received or receivable.

### **(d) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.



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

### **(f) Investment**

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

### **(g) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**Note 3. Distribution Income**

|                              | 2018<br>\$       | 2017<br>\$     |
|------------------------------|------------------|----------------|
| Distribution income received | <u>8,211,059</u> | <u>153,938</u> |

**Note 4. Non-current assets – Investments**

|   | 2018<br>\$    | 2017<br>\$       |
|---|---------------|------------------|
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 6 | <u>19,285</u> | <u>7,400,000</u> |

(a) Reconciliation of the investment in EG Core Plus Fund No. 1 Ownership Trust No. 6 at the beginning and end of the financial year are set out below:

|                   |                    |                  |
|-------------------|--------------------|------------------|
| Opening balance   | 7,400,000          | 7,400,000        |
| Return of capital | <u>(7,380,715)</u> | <u>-</u>         |
| Closing balance   | <u>19,285</u>      | <u>7,400,000</u> |

**Note 5. Unit capital**

|                | 2018<br>Number | 2018<br>\$    | 2017<br>Number   | 2017<br>\$       |
|----------------|----------------|---------------|------------------|------------------|
| Ordinary units | <u>19,285</u>  | <u>19,285</u> | <u>7,400,000</u> | <u>7,400,000</u> |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

*Movements in ordinary units*

|                         | No of units   | Issue price   | \$            |
|-------------------------|---------------|---------------|---------------|
| Balance at 1 July 2017  | 7,400,000     | \$1.00        | 7,400,000     |
| Return of capital       | (7,380,715)   | \$1.00        | (7,380,715)   |
| Balance at 30 June 2018 | <u>19,285</u> | <u>\$1.00</u> | <u>19,285</u> |

**Note 6. Retained earnings**

Movements in retained earnings during the financial year are as follows:

|  | 2018<br>\$         | 2017<br>\$       |
|--|--------------------|------------------|
| Retained earnings at the beginning of the year | -                  | -                |
| Profit after income tax expense for the year   | 8,211,059          | 153,938          |
| Distribution during the year                   | <u>(8,211,059)</u> | <u>(153,938)</u> |
| Retained earnings at the end of the year       | <u>-</u>           | <u>-</u>         |

## **Note 7. Trust details**

### **(a) The Trust**

The Trust was officially established on 25 March 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 24 March 2095, unless otherwise extended under Schedule 5 of the Investors Deed.

### **(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15  
20 Bond Street  
Sydney NSW 2000

### **(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

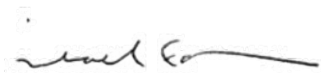
Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Holding Trust No.7**

**Annual Report**  
**For the year ended 30 June 2018**

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|   | <b>Note</b> | <b>2018<br/>\$</b> | <b>2017<br/>\$</b> |
|---|-------------|--------------------|--------------------|
| Distribution income   | 3           | 2,000,000          | 1,000,000          |
| Expenses  |             | -                  | -                  |
| <b>Profit before income tax</b>   |             | 2,000,000          | 1,000,000          |
| Income tax expense  |             | -                  | -                  |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |             | 2,000,000          | 1,000,000          |
| Other comprehensive income for the year   |             | -                  | -                  |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |             | <u>2,000,000</u>   | <u>1,000,000</u>   |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

|   | <b>Note</b> | <b>2018<br/>\$</b>       | <b>2017<br/>\$</b>       |
|---|-------------|--------------------------|--------------------------|
| <b>Assets</b>   |             |                          |                          |
| <b>Non-current assets</b>                                   |             |                          |                          |
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 7 | 4           | <u>27,056,000</u>        | <u>27,056,000</u>        |
| Total non-current assets                                    |             | <u>27,056,000</u>        | <u>27,056,000</u>        |
| <b>Total assets</b>   |             | <u>27,056,000</u>        | <u>27,056,000</u>        |
| <b>Liabilities</b>  |             |                          |                          |
| <b>Total liabilities</b>                                    |             | <u>-</u>                 | <u>-</u>                 |
| <b>Net assets</b>   |             | <u><b>27,056,000</b></u> | <u><b>27,056,000</b></u> |
| <b>Equity</b>   |             |                          |                          |
| Unit capital  | 5           | 27,056,000               | 27,056,000               |
| Retained earnings   | 6           | <u>-</u>                 | <u>-</u>                 |
| <b>Total equity</b>   |             | <u><b>27,056,000</b></u> | <u><b>27,056,000</b></u> |

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



## **Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.7 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 31 March 2015.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.7 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

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

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

### **(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

### **(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

### **(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

### **(d) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

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

### **(f) Investment**

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

### **(g) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**Note 3. Distribution Income**

|                              | <b>2018</b>      | <b>2017</b>      |
|------------------------------|------------------|------------------|
|                              | <b>\$</b>        | <b>\$</b>        |
| Distribution income received | <u>2,000,000</u> | <u>1,000,000</u> |

**Note 4. Non-current assets – Investments**

|   | <b>2018</b>       | <b>2017</b>       |
|---|-------------------|-------------------|
|   | <b>\$</b>         | <b>\$</b>         |
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 7 | <u>27,056,000</u> | <u>27,056,000</u> |

**Note 5. Unit capital**

|                | <b>2018</b>       | <b>2018</b>       | <b>2017</b>       | <b>2017</b>       |
|----------------|-------------------|-------------------|-------------------|-------------------|
|                | <b>Number</b>     | <b>\$</b>         | <b>Number</b>     | <b>\$</b>         |
| Ordinary units | <u>27,056,000</u> | <u>27,056,000</u> | <u>27,056,000</u> | <u>27,056,000</u> |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 6. Retained earnings**

Movements in retained earnings during the financial year are as follows:

|  | <b>2018</b>        | <b>2017</b>        |
|--|--------------------|--------------------|
|  | <b>\$</b>          | <b>\$</b>          |
| Retained earnings at the beginning of the year | -                  | -                  |
| Profit after income tax expense for the year   | 2,000,000          | 1,000,000          |
| Distribution during the year                   | <u>(2,000,000)</u> | <u>(1,000,000)</u> |
| Retained earnings at the end of the year       | <u>-</u>           | <u>-</u>           |

## **Note 7. Trust details**

### **(a) The Trust**

The Trust was officially established on 25 March 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Investors Deed is 24 March 2095, unless otherwise extended under Schedule 5 of the Investors Deed.

### **(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15  
20 Bond Street  
Sydney NSW 2000

### **(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

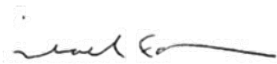
Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Holding Trust No.8**

**Annual Report**  
**For the year ended 30 June 2018**

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|  | Notes | 2018<br>\$ | 2017<br>\$ |
|--|-------|------------|------------|
| Distribution income  |       | -          | -          |
| Expenses   |       | -          | -          |
| <b>Profit before income tax</b>  |       | -          | -          |
| Income tax expense   |       | -          | -          |
| <b>Profit after income tax for the year/period attributable to the unit holders</b>    |       | -          | -          |
| Other comprehensive income for the year/period, net of tax                             |       | -          | -          |
| <b>Total comprehensive income for the year/period attributable to the unit holders</b> |       | -          | -          |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*



|   | Note | 2018<br>\$ | 2017<br>\$ |
|---|------|------------|------------|
| <b>Assets</b>   |      |            |            |
| <b>Non-current assets</b>                                   |      |            |            |
| Investment in EG Core Plus Fund No. 1 Ownership Trust No. 8 |      | -          | -          |
| Total non-current assets                                    |      | -          | -          |
| <b>Total assets</b>   |      | -          | -          |
| <b>Liabilities</b>  |      |            |            |
| <b>Total liabilities</b>                                    |      | -          | -          |
| <b>Net assets</b>   |      | -          | -          |
| <b>Equity</b>   |      |            |            |
| Unit capital  |      | -          | -          |
| Retained earnings   |      | -          | -          |
| <b>Total equity</b>   |      | -          | -          |

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

## **Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.8 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 12 November 2015.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Holding Trust No.8 is a trust domiciled in Australia. Its principal place of business is:

Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

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

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

### **(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

### **(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

### **(c) Distribution income**

Distribution income is measured at the fair value of the consideration received or receivable.

### **(d) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

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

### **(f) Investment**

Investments are accounted for at cost less any impairment. Distributions received from investments in Trusts are recognised as revenue by the Trust.

### **(g) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

## **Note 3. Trust details**

### **(a) The Trust**

The Trust was officially established on 12 November 2015 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 11 November 2095.

### **(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (PTAL) Limited.

The registered office and principal place of business of the Trustee Company is:

Level 15  
20 Bond Street  
Sydney NSW 2000

### **(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:

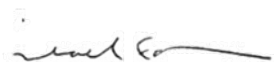
Governor Phillip Tower, Level 21  
1 Farrer Place  
Sydney NSW 2000

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

## **EG Core Plus Fund No.1 Ownership Trust No. 1**

Annual financial report - 30 June 2018

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|  | Note | 2018<br>\$             | 2017<br>\$              |
|--|------|------------------------|-------------------------|
| <b>Revenue</b>   | 3    | -                      | 209,992                 |
| Other income   | 3    | 1,889                  | 11,795                  |
| Property expenses  |      | (20,115)               | (1,359,313)             |
| Administration expenses  |      | (21,256)               | (68,336)                |
| Finance costs  |      | -                      | (288,531)               |
| Net fair value gain on investment properties   | 6    | -                      | 8,548,367               |
|  |      | <hr/>                  | <hr/>                   |
| <b>(Loss)/ profit before income tax expense for the year</b>                         |      | (39,482)               | 7,053,974               |
| Income tax expense   |      | -                      | -                       |
|  |      | <hr/>                  | <hr/>                   |
| <b>(Loss)/ profit after income tax for the year attributable to the unit holders</b> |      | (39,482)               | 7,053,974               |
| Other comprehensive income for the year, net of tax                                  |      | -                      | -                       |
|  |      | <hr/>                  | <hr/>                   |
| <b>Total comprehensive income for the year attributable to the unit holders</b>      |      | <b><u>(39,482)</u></b> | <b><u>7,053,974</u></b> |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

|                             | Note | 2018<br>\$      | 2017<br>\$     |
|-----------------------------|------|-----------------|----------------|
| <b>Assets</b>               |      |                 |                |
| <b>Current assets</b>       |      |                 |                |
| Cash and cash equivalents   | 4    | 4,973           | 285,131        |
| Trade and other receivables | 5    | <u>71</u>       | <u>1,837</u>   |
| Total current assets        |      | <u>5,044</u>    | <u>286,968</u> |
| <b>Non-current assets</b>   |      |                 |                |
| Investment properties       | 6    | <u>-</u>        | <u>-</u>       |
| Total non-current assets    |      | <u>-</u>        | <u>-</u>       |
| <b>Total assets</b>         |      | <u>5,044</u>    | <u>286,968</u> |
| <b>Liabilities</b>          |      |                 |                |
| <b>Current liabilities</b>  |      |                 |                |
| Trade and other payables    |      | <u>-</u>        | <u>-</u>       |
| Total current liabilities   |      | <u>-</u>        | <u>-</u>       |
| <b>Total liabilities</b>    |      | <u>-</u>        | <u>-</u>       |
| <b>Net assets</b>           |      | <u>5,044</u>    | <u>286,968</u> |
| <b>Equity</b>               |      |                 |                |
| Unit capital                | 7    | 44,526          | 286,968        |
| Retained earnings           | 8    | <u>(39,482)</u> | <u>-</u>       |
| <b>Total equity</b>         |      | <u>5,044</u>    | <u>286,968</u> |

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



## **Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.1 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 17 February 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.1 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower  
Suite 1, Level 21  
1 Farrer Place  
Sydney NSW 2000

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

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

### **(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

#### *Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

### **(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

### **(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

#### *Rental Income*

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

#### *Interest*

Interest income is recognised on a time proportion basis using the effective interest method.

### **(d) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

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

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

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

### **(f) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

### **(g) Investment property**

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

#### *Valuations*

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

#### *Disposals*

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

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

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

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

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

### **(i) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

### **(j) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### **(l) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

### **(m) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

**Note 2. Summary of significant accounting policies (continued)****(m) Fair value measurement (continued)**

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Note 3. Revenue**

|                   | <b>2018</b>  | <b>2017</b>    |
|-------------------|--------------|----------------|
|                   | <b>\$</b>    | <b>\$</b>      |
| Rental revenue    | -            | 185,820        |
| Tenant recoveries | -            | 24,172         |
|                   | <u>-</u>     | <u>209,992</u> |
| Interest revenue  | 1,889        | 11,795         |
|                   | <u>1,889</u> | <u>11,795</u>  |

**Note 4. Current assets - Cash and cash equivalents**

|                          | <b>2018</b>  | <b>2017</b>    |
|--------------------------|--------------|----------------|
|                          | <b>\$</b>    | <b>\$</b>      |
| Cash at bank and on hand | <u>4,973</u> | <u>285,131</u> |

**Note 5. Current assets – Trade and other receivables**

|                   | <b>2018</b> | <b>2017</b>  |
|-------------------|-------------|--------------|
|                   | <b>\$</b>   | <b>\$</b>    |
| Trade receivables | -           | 1,837        |
| Other receivables | <u>71</u>   | <u>-</u>     |
|                   | <u>71</u>   | <u>1,837</u> |

**Note 6. Non-current assets – Investment properties**

|                                       | <b>2018</b> | <b>2017</b> |
|---------------------------------------|-------------|-------------|
|                                       | <b>\$</b>   | <b>\$</b>   |
| Investment properties – at fair value | <u>-</u>    | <u>-</u>    |

**Note 6. Non-current assets – Investment properties (continued)**

(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial period are set out below

|                               | 2018<br>\$ | 2017<br>\$   |
|-------------------------------|------------|--------------|
| Opening balance               | -          | 24,000,000   |
| Additions                     | -          | 451,633      |
| Revaluation increments        | -          | 8,548,367    |
| Disposal                      | -          | (33,000,000) |
| Closing fair value at 30 June | -          | -            |

**Note 7. Unit capital**

|                | 2018<br>Number | 2017<br>Number | 2018<br>\$ | 2017<br>\$ |
|----------------|----------------|----------------|------------|------------|
| Ordinary units | 44,526         | 286,968        | 44,526     | 286,968    |

*Movements in ordinary units*

|                         | No of units | Issue price | \$        |
|-------------------------|-------------|-------------|-----------|
| Balance at 1 July 2017  | 286,968     | \$1.00      | 286,968   |
| Return of capital       | (242,442)   | \$1.00      | (242,442) |
| Balance at 30 June 2018 | 44,526      |             | 44,526    |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Fund in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 8. Retained earnings**

Movements in retained earnings during the financial period are as follows:

|  | 2018<br>\$ | 2017<br>\$   |
|--|------------|--------------|
| Retained earnings at the beginning of the year                 | -          | 6,080,396    |
| (Loss)/ profit after income tax expense for the year           | (39,482)   | 7,053,974    |
| Distribution to Head Trust                                     | -          | (13,134,370) |
| (Accumulated losses)/ retained earnings at the end of the year | (39,482)   | -            |

## **Note 9. Trust details**

### **(a) The Trust**

The Trust was officially established on 17 February 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 16 February 2094.

### **(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:

Level 15  
20 Bond Street  
Sydney NSW 2000

### **(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:


Governor Phillip Tower  
Suite 1, Level 21,  
1 Farrer Place  
Sydney NSW 2000

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Ownership Trust No.2**

**Annual Report**  
**For the year ended 30 June 2018**



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**EG Core Plus Fund No.1 Ownership Trust No.2**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

|   | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|---|-------------|--------------------------|--------------------------|
| <b>Revenue</b>  | 3           | 4,665,219                | 4,645,347                |
| Other income  | 3           | 33,303                   | 31,281                   |
| Property expenses   |             | (1,363,047)              | (1,504,488)              |
| Administration expenses   |             | (1,577)                  | 53,295                   |
| Finance costs   |             | (1,071,678)              | (999,702)                |
| Net fair value (loss)/gain on investment properties                             | 6           | <u>(799,459)</u>         | <u>82,292</u>            |
| <b>Profit before income tax</b>   |             | 1,462,761                | 2,308,025                |
| Income tax expense  |             | <u>-</u>                 | <u>-</u>                 |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |             | 1,462,761                | 2,308,025                |
| Other comprehensive income for the year, net of tax                             |             | -                        | -                        |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |             | <u>1,462,761</u>         | <u>2,308,025</u>         |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**EG Core Plus Fund No.1 Ownership Trust No.2**  
**Statement of financial position**  
**As at 30 June 2018**

|                                | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|--------------------------------|-------------|--------------------------|--------------------------|
| <b>Assets</b>                  |             |                          |                          |
| <b>Current assets</b>          |             |                          |                          |
| Cash and cash equivalents      | 4           | 1,632,857                | 2,023,884                |
| Trade and other receivables    | 5           | <u>442,387</u>           | <u>259,403</u>           |
| Total current assets           |             | <u>2,075,244</u>         | <u>2,283,287</u>         |
| <b>Non-current assets</b>      |             |                          |                          |
| Investment properties          | 6           | <u>49,000,000</u>        | <u>47,000,000</u>        |
| Total non-current assets       |             | <u>49,000,000</u>        | <u>47,000,000</u>        |
| <b>Total assets</b>            |             | <u>51,075,244</u>        | <u>49,283,287</u>        |
| <b>Liabilities</b>             |             |                          |                          |
| <b>Current liabilities</b>     |             |                          |                          |
| Trade and other payables       | 7           | <u>344,106</u>           | <u>106,480</u>           |
| Total non-current liabilities  |             | <u>344,106</u>           | <u>106,480</u>           |
| <b>Non-current liabilities</b> |             |                          |                          |
| Borrowings                     | 8           | <u>20,541,737</u>        | <u>20,450,167</u>        |
| Total non-current liabilities  |             | <u>20,541,737</u>        | <u>20,450,167</u>        |
| <b>Total liabilities</b>       |             | <u>20,885,843</u>        | <u>20,556,647</u>        |
| <b>Net assets</b>              |             | <u><b>30,189,401</b></u> | <u><b>28,726,640</b></u> |
| <b>Equity</b>                  |             |                          |                          |
| Unit capital                   | 9           | 23,230,000               | 23,230,000               |
| Retained earnings              | 10          | <u>6,959,401</u>         | <u>5,496,640</u>         |
| <b>Total equity</b>            |             | <u><b>30,189,401</b></u> | <u><b>28,726,640</b></u> |

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

**EG Core Plus Fund No.1 Ownership Trust No.2**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.2 (referred to hereafter as 'the Trust') for the financial year ended 30 June 2018. The Trust was established by Trust Deed dated 29 August 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.2 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower  
Suite 1, Level 21  
1 Farrer Place  
Sydney NSW 2000

**Note 2. Summary of significant accounting policies**

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

**(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

*Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

**(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

**(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

*Rental Income*

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

*Interest*

Interest income is recognised on a time proportion basis using the effective interest method.

**(d) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

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

**(e) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

**(f) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

**(g) Investment property**

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

*Valuations*

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

*Disposals*

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

**(h) Trade and other payables**

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

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

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

**(i) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

**(j) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(l) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**EG Core Plus Fund No.1 Ownership Trust No.2**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

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

**(m) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Note 3. Revenue**

|                   | <b>2018</b>      | <b>2017</b>      |
|-------------------|------------------|------------------|
|                   | <b>\$</b>        | <b>\$</b>        |
| Rental revenue    | 3,774,660        | 3,875,934        |
| Tenant recoveries | <u>890,559</u>   | <u>769,413</u>   |
|                   | <u>4,665,219</u> | <u>4,645,347</u> |
| Other income      | <u>33,303</u>    | <u>31,281</u>    |
|                   | <u>33,303</u>    | <u>31,281</u>    |

**Note 4. Cash and cash equivalents**

|                          | <b>2018</b>      | <b>2017</b>      |
|--------------------------|------------------|------------------|
|                          | <b>\$</b>        | <b>\$</b>        |
| Cash at bank and on hand | <u>1,632,857</u> | <u>2,023,884</u> |

**EG Core Plus Fund No.1 Ownership Trust No.2**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 5. Trade and other receivables**

|                   | <b>2018</b>           | <b>2017</b>           |
|-------------------|-----------------------|-----------------------|
|                   | <b>\$</b>             | <b>\$</b>             |
| Trade receivables | 197,777               | 166,325               |
| Prepayments       | <u>244,610</u>        | <u>93,078</u>         |
|                   | <u><b>442,387</b></u> | <u><b>259,402</b></u> |

**Note 6. Non-current assets – Investment properties**

|                                       | <b>2018</b>       | <b>2017</b>       |
|---------------------------------------|-------------------|-------------------|
|                                       | <b>\$</b>         | <b>\$</b>         |
| Investment properties – at fair value | <u>49,000,000</u> | <u>47,000,000</u> |

**(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial year are set out below**

|                        |                          |                          |
|------------------------|--------------------------|--------------------------|
| Opening balance        | 47,000,000               | 46,750,000               |
| Additions              | 2,799,459                | 167,708                  |
| Revaluation increments | <u>(799,459)</u>         | <u>82,292</u>            |
| Closing fair value     | <u><b>49,000,000</b></u> | <u><b>47,000,000</b></u> |

**Note 7. Current - Trade and other payables**

|                | <b>2018</b>    | <b>2017</b>    |
|----------------|----------------|----------------|
|                | <b>\$</b>      | <b>\$</b>      |
| Other payables | <u>344,106</u> | <u>106,480</u> |

**Note 8. Non-current liabilities – Borrowings**

|            | <b>2018</b>       | <b>2017</b>       |
|------------|-------------------|-------------------|
|            | <b>\$</b>         | <b>\$</b>         |
| Bank loans | <u>20,541,737</u> | <u>20,450,167</u> |

**Interest rate risk**

The bank loans are currently bearing all-in variable interest rates of between 4.90% (2017: 3.02%) per annum.

**Assets pledged as security**

The bank loans are secured by first ranking mortgage over the Trust's investment property related to the borrowings. The fair value of the investment property secured is \$49,000,000 (2017: \$47,000,000).

**Covenant conditions**

The bank loans include covenant conditions that require the maintenance of certain financial ratios.

**Financing arrangements**

The Trust's bank loan facility limit at the reporting date was \$20,600,000 (2017: \$20,600,000) which has been fully utilised.



**EG Core Plus Fund No.1 Ownership Trust No.2**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 9. Unit capital**

|                | <b>2018<br/>Number</b> | <b>2018<br/>\$</b> | <b>2017<br/>Number</b> | <b>2017<br/>\$</b> |
|----------------|------------------------|--------------------|------------------------|--------------------|
| Ordinary units | <u>23,230,000</u>      | <u>23,230,000</u>  | <u>23,230,000</u>      | <u>23,230,000</u>  |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 10. Retained earnings**

Movements in Retained earnings during the financial year are as follows:

|  | <b>2018<br/>\$</b> | <b>2017<br/>\$</b> |
|--|--------------------|--------------------|
| Retained earnings at the beginning of the year | 5,496,640          | 4,756,560          |
| Profit after income tax expense for the year   | 1,462,761          | 2,308,025          |
| Distribution to Head Trust                     | -                  | (1,567,945)        |
| Retained earnings at the end of the year       | <u>6,959,401</u>   | <u>5,496,640</u>   |

**Note 12. Trust details**

**(a) The Trust**

The Trust was officially established on 29 August 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 28 August 2094.

**(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:  
Level 15  
20 Bond Street  
Sydney NSW 2000

**(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:  
Governor Phillip Tower  
Suite 1, Level 21,  
1 Farrer Place  
Sydney NSW 2000

**EG Core Plus Fund No. 1 Ownership Trust No. 2**  
**Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Ownership Trust No.3**

## **Annual Report**

**For the year ended 30 June 2018**

## Contents

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**EG Core Plus Fund No.1 Ownership Trust No.3**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

|  | <b>Notes</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|--|--------------|--------------------------|--------------------------|
| <b>Revenue</b>   | 3            | -                        | 5,866,212                |
| Other income   | 3            | 26,760                   | 48,539                   |
| Property expenses  |              | (347,607)                | (687,773)                |
| Administration expenses  |              | (43,269)                 | (45,204)                 |
| Finance costs  |              | (40,324)                 | (2,649,632)              |
| Net fair value gain on investment properties   | 6            | -                        | 6,843,892                |
| <b>(Loss)/ profit before income tax</b>  |              | (404,440)                | 9,376,031                |
| Income tax expense   |              | -                        | -                        |
| <b>(Loss)/ profit after income tax for the year attributable to the unit holders</b> |              | (404,440)                | 9,376,031                |
| Other comprehensive income for the year, net of tax                                  |              | -                        | -                        |
| <b>Total comprehensive income for the year attributable to the unit holders</b>      |              | <b>(404,440)</b>         | <b>9,376,031</b>         |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**EG Core Plus Fund No.1 Ownership Trust No.3**  
**Statement of financial position**  
**As at 30 June 2018**

|                             | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|-----------------------------|-------------|--------------------------|--------------------------|
| <b>Assets</b>               |             |                          |                          |
| <b>Current assets</b>       |             |                          |                          |
| Cash and cash equivalents   | 4           | -                        | 39,300,945               |
| Trade and other receivables | 5           | 37,382                   | 373,781                  |
| Total current assets        |             | <u>37,382</u>            | <u>39,674,726</u>        |
| <b>Non-current assets</b>   |             |                          |                          |
| Investment properties       | 6           | -                        | -                        |
| Total non-current assets    |             | <u>-</u>                 | <u>-</u>                 |
| <b>Total assets</b>         |             | <u>37,382</u>            | <u>39,674,727</u>        |
| <b>Liabilities</b>          |             |                          |                          |
| <b>Current liabilities</b>  |             |                          |                          |
| Trade and other payables    | 7           | 17                       | 208,684                  |
| Borrowings                  | 8           | -                        | 31,459,676               |
| Total current liabilities   |             | <u>17</u>                | <u>31,668,360</u>        |
| <b>Total liabilities</b>    |             | <u>-</u>                 | <u>31,668,360</u>        |
| <b>Net assets</b>           |             | <u><b>37,365</b></u>     | <u><b>8,006,367</b></u>  |
| <b>Equity</b>               |             |                          |                          |
| Unit capital                | 9           | 441,820                  | 8,006,367                |
| Retained earnings           | 10          | (404,455)                | -                        |
| <b>Total equity</b>         |             | <u><b>37,365</b></u>     | <u><b>8,006,367</b></u>  |

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

**EG Core Plus Fund No.1 Ownership Trust No.3**  
**Notes to the financial statements**  
**For the period ended 30 June 2018**

**Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.3 (referred to hereafter as 'the Trust') for the year ended to 30 June 2018. The Trust was established by Trust Deed dated 17 September 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.3 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower  
Suite 1, Level 21  
1 Farrer Place  
Sydney NSW 2000

**Note 2. Summary of significant accounting policies**

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

**(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

*Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

**(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

**(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

*Rental Income*

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

*Interest*

Interest income is recognised on a time proportion basis using the effective interest method.

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

**(d) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

**(e) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

**(f) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

**(g) Investment property**

Investment properties may be held for rental yields, capital appreciation and/or development. All investment properties are considered one class of asset.

*Valuations*

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value. Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.



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

**(g) Investment property (continued)**

*Disposals*

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

**(h) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

**(i) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

**(j) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(l) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**EG Core Plus Fund No.1 Ownership Trust No.3**  
**Notes to the financial statements**  
**For the period ended 30 June 2018**

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

**(m) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Note 3. Revenue**

|                   | <b>2018</b>   | <b>2017</b>      |
|-------------------|---------------|------------------|
|                   | <b>\$</b>     | <b>\$</b>        |
| Rental revenue    | -             | 5,257,189        |
| Tenant recoveries | -             | 609,023          |
|                   | <u>-</u>      | <u>5,866,212</u> |
| Interest revenue  | 26,760        | 48,539           |
|                   | <u>26,760</u> | <u>48,539</u>    |

**Note 4. Cash and cash equivalents**

|                          | <b>2018</b> | <b>2017</b>       |
|--------------------------|-------------|-------------------|
|                          | <b>\$</b>   | <b>\$</b>         |
| Cash at bank and on hand | <u>-</u>    | <u>39,300,945</u> |

**EG Core Plus Fund No.1 Ownership Trust No.3**  
**Notes to the financial statements**  
**For the period ended 30 June 2018**

**Note 5. Trade and other receivables**

|                   | <b>2018</b>   | <b>2017</b>    |
|-------------------|---------------|----------------|
|                   | <b>\$</b>     | <b>\$</b>      |
| Other receivables | 37,382        | 373,781        |
|                   | <u>37,382</u> | <u>373,781</u> |

**Note 6. Non-current assets – Investment properties**

|                                       | <b>2018</b> | <b>2017</b> |
|---------------------------------------|-------------|-------------|
|                                       | <b>\$</b>   | <b>\$</b>   |
| Investment properties – at fair value | <u>-</u>    | <u>-</u>    |

**(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial year are set out below**

|                        |          |              |
|------------------------|----------|--------------|
| Opening balance        | -        | 68,000,000   |
| Additions              | -        | 596,892      |
| Revaluation increments | -        | 6,843,892    |
| Disposal               | -        | (74,247,000) |
| Closing fair value     | <u>-</u> | <u>-</u>     |

**Note 7. Current - Trade and payables**

|                | <b>2018</b> | <b>2017</b>    |
|----------------|-------------|----------------|
|                | <b>\$</b>   | <b>\$</b>      |
| Other payables | <u>17</u>   | <u>208,684</u> |

**Note 8. Non-current liabilities – Borrowings**

|                | <b>2018</b> | <b>2017</b>       |
|----------------|-------------|-------------------|
|                | <b>\$</b>   | <b>\$</b>         |
| <i>Current</i> |             |                   |
| Bank loans     | <u>-</u>    | <u>31,459,676</u> |
|                | <u>-</u>    | <u>31,459,676</u> |

**EG Core Plus Fund No.1 Ownership Trust No.3**  
**Notes to the financial statements**  
**For the period ended 30 June 2018**

**Note 9. Unit capital**

|                                    | <b>2018<br/>Number</b> | <b>2017<br/>Number</b> | <b>2018<br/>\$</b> | <b>2017<br/>\$</b> |
|------------------------------------|------------------------|------------------------|--------------------|--------------------|
| Ordinary units                     | <u>441,820</u>         | <u>8,006,367</u>       | <u>441,820</u>     | <u>8,006,367</u>   |
| <i>Movements in ordinary units</i> |                        |                        |                    |                    |
|                                    |                        | <b>No of units</b>     | <b>Issue price</b> | <b>\$</b>          |
| Balance at 1 July 2017             |                        | 8,006,367              | \$1.00             | 8,006,367          |
| Return of capital                  |                        | (7,564,547)            | \$1.00             | (7,564,547)        |
| Balance at 30 June 2018            |                        | <u>441,820</u>         |                    | <u>441,820</u>     |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 10. Retained earnings**

Movements in retained earnings during the financial period are as follows:

|  | <b>2018<br/>\$</b> | <b>2017<br/>\$</b> |
|--|--------------------|--------------------|
| Retained earnings at the beginning of the year                 | -                  | 3,946,303          |
| (Loss)/ profit after income tax expense for the year           | (404,440)          | 9,376,031          |
| Distribution to Head Trust                                     | -                  | (13,322,334)       |
| (Accumulated losses)/ retained earnings at the end of the year | <u>(404,440)</u>   | <u>-</u>           |

**EG Core Plus Fund No.1 Ownership Trust No.3**  
**Notes to the financial statements**  
**For the period ended 30 June 2018**

**Note 11. Trust details**

**(a) The Trust**

The Trust was officially established on 17 September 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 16 September 2094.

**(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:  
Level 15  
20 Bond Street  
Sydney NSW 2000

**(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:  
Governor Phillip Tower  
Suite 1, Level 21,  
1 Farrer Place  
Sydney NSW 2000

**EG Core Plus Fund No. 1 Ownership Trust No. 3**  
**Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Ownership Trust No. 4**

**Annual Report**  
**For the year ended 30 June 2018**

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**EG Core Plus Fund No.1 Ownership Trust No.4**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

|   | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|---|-------------|--------------------------|--------------------------|
| <b>Revenue</b>  | 3           | 475,799                  | 2,774,925                |
| Other income  | 3           | 86,800                   | 19,963                   |
| Property expenses   |             | (562,484)                | (561,543)                |
| Administration expenses   |             | (3,343)                  | (5,451)                  |
| Finance costs   |             | (120,758)                | (294,222)                |
| Net fair value gain on investment properties                                    | 6           | <u>4,172,841</u>         | <u>7,814,170</u>         |
| <b>Profit before income tax</b>   |             | 4,048,855                | 9,747,842                |
| Income tax expense  |             | <u>-</u>                 | <u>-</u>                 |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |             | 4,048,855                | 9,747,842                |
| Other comprehensive income for the year, net of tax                             |             | -                        | -                        |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |             | <u><b>4,048,855</b></u>  | <u><b>9,747,842</b></u>  |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**EG Core Plus Fund No.1 Ownership Trust No.4**  
**Statement of financial position**  
**As at 30 June 2018**

|                             | <b>Note</b> | <b>2018</b><br>\$   | <b>2017</b><br>\$ |
|-----------------------------|-------------|---------------------|-------------------|
| <b>Assets</b>               |             |                     |                   |
| <b>Current assets</b>       |             |                     |                   |
| Cash and cash equivalents   | 4           | 34,666              | 70,586            |
| Trade and other receivables | 5           | -                   | 1,190,339         |
| Total current assets        |             | <u>34,666</u>       | <u>1,260,925</u>  |
| <b>Non-current assets</b>   |             |                     |                   |
| Investment properties       | 6           | -                   | 33,000,000        |
| Total non-current assets    |             | <u>-</u>            | <u>33,000,000</u> |
| <b>Total assets</b>         |             | <u>34,666</u>       | <u>34,260,925</u> |
| <b>Liabilities</b>          |             |                     |                   |
| <b>Current liabilities</b>  |             |                     |                   |
| Trade and other payables    | 7           | -                   | 943,667           |
| Borrowings                  | 8           | -                   | 7,999,462         |
| Total current liabilities   |             | <u>-</u>            | <u>8,923,129</u>  |
| <b>Total liabilities</b>    |             | <u>-</u>            | <u>8,923,129</u>  |
| <b>Net assets</b>           |             | <u>34,666</u>       | <u>25,317,796</u> |
| <b>Equity</b>               |             |                     |                   |
| Unit capital                | 9           | 12,986,082          | 13,100,000        |
| Retained earnings           | 10          | <u>(12,951,416)</u> | <u>12,217,796</u> |
| <b>Total equity</b>         |             | <u>34,666</u>       | <u>25,317,796</u> |

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

**EG Core Plus Fund No.1 Ownership Trust No.4**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.4 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 8 October 2014.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.4 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower  
Suite 1, Level 21  
1 Farrer Place  
Sydney NSW 2000

**Note 2. Summary of significant accounting policies**

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

**(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

*Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

**(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

**(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

*Rental Income*

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

*Interest*

Interest income is recognised on a time proportion basis using the effective interest method.

**(d) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

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

**(e) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

**(f) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

**(g) Investment property**

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

*Valuations*

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

*Disposals*

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

**(h) Trade and other payables**

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

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

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

**(i) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

**(j) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(l) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**EG Core Plus Fund No.1 Ownership Trust No.4**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**(m) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Note 3. Revenue and other income**

|                     | <b>2018</b>    | <b>2017</b>      |
|---------------------|----------------|------------------|
|                     | <b>\$</b>      | <b>\$</b>        |
| <i>Revenue</i>      |                |                  |
| Rental revenue      | 176,402        | 2,714,375        |
| Tenant recoveries   | 299,397        | 60,550           |
|                     | <u>475,799</u> | <u>2,774,925</u> |
| <i>Other income</i> |                |                  |
| Interest revenue    | 86,800         | 19,963           |
|                     | <u>86,800</u>  | <u>19,963</u>    |

**Note 4. Cash and cash equivalents**

|                          | <b>2018</b>   | <b>2017</b>   |
|--------------------------|---------------|---------------|
|                          | <b>\$</b>     | <b>\$</b>     |
| Cash at bank and on hand | <u>34,666</u> | <u>70,586</u> |

**Note 5. Trade and other receivables**

|                   | <b>2018</b> | <b>2017</b>      |
|-------------------|-------------|------------------|
|                   | <b>\$</b>   | <b>\$</b>        |
| Trade receivables | -           | 945,943          |
| Other receivables | -           | 19,989           |
| Prepayments       | -           | 224,407          |
|                   | <u>-</u>    | <u>1,190,339</u> |

**EG Core Plus Fund No.1 Ownership Trust No.4**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 6. Non-current assets – Investment properties**

|                                       | <b>2018</b> | <b>2017</b>       |
|---------------------------------------|-------------|-------------------|
|                                       | <b>\$</b>   | <b>\$</b>         |
| Investment properties – at fair value | <u>-</u>    | <u>33,000,000</u> |

**(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial period are set out below**

|                        |              |                   |
|------------------------|--------------|-------------------|
| Opening balance        | 33,000,000   | 23,600,000        |
| Additions              | 827,159      | 1,585,830         |
| Revaluation increments | 4,172,841    | 7,814,170         |
| Disposal               | (38,000,000) | -                 |
| Closing fair value     | <u>-</u>     | <u>33,000,000</u> |

**Note 7. Trade and payables**

|                | <b>2018</b> | <b>2017</b>    |
|----------------|-------------|----------------|
|                | <b>\$</b>   | <b>\$</b>      |
| Other payables | <u>-</u>    | <u>943,667</u> |
|                | <u>-</u>    | <u>943,667</u> |

**Note 8. Current liabilities – Borrowings**

|            | <b>2018</b> | <b>2017</b>      |
|------------|-------------|------------------|
|            | <b>\$</b>   | <b>\$</b>        |
| Bank loans | <u>-</u>    | <u>7,999,462</u> |

**Note 9. Unit capital**

|                | <b>2018</b>       | <b>2018</b>       | <b>2017</b>       | <b>2017</b>       |
|----------------|-------------------|-------------------|-------------------|-------------------|
|                | <b>Number</b>     | <b>\$</b>         | <b>Number</b>     | <b>\$</b>         |
| Ordinary units | <u>12,986,082</u> | <u>12,986,082</u> | <u>13,100,000</u> | <u>13,100,000</u> |

*Movements in ordinary units*

|                         | <b>No of units</b> | <b>Issue price</b> | <b>\$</b>         |
|-------------------------|--------------------|--------------------|-------------------|
| Balance at 1 July 2017  | 13,100,000         | \$1.00             | 13,100,000        |
| Return of units         | (113,918)          | \$1.00             | (113,918)         |
| Balance at 30 June 2018 | <u>12,986,082</u>  |                    | <u>12,986,082</u> |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**EG Core Plus Fund No.1 Ownership Trust No.4**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 10. Retained earnings**

Movements in Retained earnings during the financial period are as follows:

|  | <b>2018</b>         | <b>2017</b>        |
|--|---------------------|--------------------|
|  | <b>\$</b>           | <b>\$</b>          |
| Retained earnings at the beginning of the year | 12,217,796          | 3,469,954          |
| Profit after income tax expense for the year   | 4,048,855           | 9,747,842          |
| Distribution to Head Trust                     | <u>(16,266,651)</u> | <u>(1,000,000)</u> |
| Retained earnings at the end of the year       | <u>-</u>            | <u>12,217,796</u>  |

**Note 11. Trust details**

**(a) The Trust**

The Trust was officially established on 8 October 2014 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 7 October 2094.

**(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:  
Level 15  
20 Bond Street  
Sydney NSW 2000

**(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:  
Governor Phillip Tower  
Suite 1, Level 21,  
1 Farrer Place  
Sydney NSW 2000



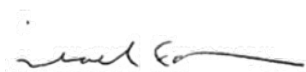
**EG Core Plus Fund No. 1 Ownership Trust No. 4**  
**Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Ownership Trust No.5**

**Annual Report**  
**For the year ended 30 June 2018**

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**EG Core Plus Fund No.1 Ownership Trust No.5**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

|  | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|--|-------------|--------------------------|--------------------------|
| <b>Revenue</b>   | 3           | -                        | 1,395,529                |
| Other income   | 3           | 3,311                    | 27,646                   |
| Property expenses  |             | (10,405)                 | (472,850)                |
| Administration expenses  |             | (173)                    | (60,559)                 |
| Finance costs  |             | -                        | (246,401)                |
| Net fair value (loss)/ gain on investment properties                                 | 5           | -                        | 11,464,220               |
| <b>(Loss)/ profit before income tax</b>  |             | <b>(7,267)</b>           | <b>12,107,585</b>        |
| Income tax expense   |             | -                        | -                        |
| <b>(Loss)/ profit after income tax for the year attributable to the unit holders</b> |             | <b>(7,267)</b>           | <b>12,107,585</b>        |
| Other comprehensive income for the year, net of tax                                  |             | -                        | -                        |
| <b>Total comprehensive income for the year attributable to the unit holders</b>      |             | <b>(7,267)</b>           | <b>12,107,585</b>        |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**EG Core Plus Fund No.1 Ownership Trust No.5**  
**Statement of financial position**  
**For the year ended 30 June 2018**

|                           | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|---------------------------|-------------|--------------------------|--------------------------|
| <b>Assets</b>             |             |                          |                          |
| <b>Current assets</b>     |             |                          |                          |
| Cash and cash equivalents | 4           | -                        | 510,582                  |
| Total current assets      |             | -                        | 510,582                  |
| <b>Non-current assets</b> |             |                          |                          |
| Investment properties     | 5           | -                        | -                        |
| Total non-current assets  |             | -                        | -                        |
| <b>Total assets</b>       |             | -                        | 510,582                  |
| <b>Liabilities</b>        |             |                          |                          |
| <b>Total liabilities</b>  |             | -                        | -                        |
| <b>Net assets</b>         |             | -                        | <b>510,582</b>           |
| <b>Equity</b>             |             |                          |                          |
| Unit capital              | 6           | 8,273                    | 510,582                  |
| Retained earnings         | 7           | (8,273)                  | -                        |
| <b>Total equity</b>       |             | -                        | <b>510,582</b>           |

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

**EG Core Plus Fund No.1 Ownership Trust No.5**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.5 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 16 January 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.5 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower  
Suite 1, Level 21  
1 Farrer Place  
Sydney NSW 2000

**Note 2. Summary of significant accounting policies**

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

**(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

*Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

**(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

**(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

*Rental Income*

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

*Interest*

Interest income is recognised on a time proportion basis using the effective interest method.

**(d) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

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

**(e) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

**(f) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

**(g) Investment property**

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

*Valuations*

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

*Disposals*

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

**(h) Trade and other payables**

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

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

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

**(i) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

**(j) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(l) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.



**EG Core Plus Fund No.1 Ownership Trust No.5**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**(m) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Note 3. Revenue and other income**

|                     | <b>2018</b>  | <b>2017</b>      |
|---------------------|--------------|------------------|
|                     | <b>\$</b>    | <b>\$</b>        |
| <i>Revenue</i>      |              |                  |
| Rental revenue      | -            | 1,277,852        |
| Tenant recoveries   | -            | 117,677          |
|                     | <u>-</u>     | <u>1,395,529</u> |
| <i>Other income</i> |              |                  |
| Interest revenue    | <u>3,311</u> | <u>27,646</u>    |
|                     | <u>3,311</u> | <u>27,646</u>    |

**Note 4. Cash and cash equivalents**

|                          | <b>2018</b> | <b>2017</b>    |
|--------------------------|-------------|----------------|
|                          | <b>\$</b>   | <b>\$</b>      |
| Cash at bank and on hand | <u>-</u>    | <u>510,582</u> |

**EG Core Plus Fund No.1 Ownership Trust No.5**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 5. Non-current assets – Investment properties**

|                                       | 2018<br>\$ | 2017<br>\$ |
|---------------------------------------|------------|------------|
| Investment properties – at fair value | -          | -          |

**(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial year are set out below**

|                       |   |              |
|-----------------------|---|--------------|
| Opening balance       | - | 39,000,000   |
| Additions             | - | 1,726,301    |
| Revaluation increment | - | 11,464,220   |
| Disposal              | - | (52,190,521) |
| Closing fair value    | - | -            |

**Note 6. Unit capital**

|  | 2018<br>Number | 2018<br>\$ | 2017<br>Number | 2017<br>\$ |
|--|----------------|------------|----------------|------------|
|  | 8,273          | 8,273      | 510,582        | 510,582    |

*Movements in ordinary units*

|                         | No of units | Issue price | \$        |
|-------------------------|-------------|-------------|-----------|
| Balance at 1 July 2017  | 510,582     | \$1.00      | 510,582   |
| Return of capital       | (502,309)   | \$1.00      | (502,309) |
| Balance at 30 June 2018 | 8,273       |             | 8,273     |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 7. Retained earnings**

Movements in retained earnings during the financial year are as follows:

|  | 2018<br>\$ | 2017<br>\$   |
|--|------------|--------------|
| Retained earnings at the beginning of the year                 | -          | 7,569,367    |
| (Loss)/ profit after income tax expense for the year           | (7,267)    | 12,107,585   |
| Distribution to Head Trust                                     | (1,006)    | (19,676,952) |
| (Accumulated losses)/ retained earnings at the end of the year | (8,273)    | -            |

**EG Core Plus Fund No.1 Ownership Trust No.5**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 8. Trust details**

**(a) The Trust**

The Trust was officially established on 16 January 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 15 January 2095.

**(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:  
Level 15  
20 Bond Street  
Sydney NSW 2000

**(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:  
Governor Phillip Tower  
Suite 1, Level 21,  
1 Farrer Place  
Sydney NSW 2000

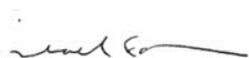
**EG Core Plus Fund No. 1 Ownership Trust No. 5**  
**Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Ownership Trust No. 6**

**Annual Report**  
**For the year ended 30 June 2018**

## Contents

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**EG Core Plus Fund No.1 Ownership Trust No.6**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

|   | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|---|-------------|--------------------------|--------------------------|
| <b>Revenue</b>  | 3           | 500,316                  | 1,223,777                |
| Other revenue   | 3           | 26,583                   | 10,700                   |
| Property expenses   |             | (324,419)                | (235,636)                |
| Administration expenses   |             | (48,216)                 | (5,738)                  |
| Finance costs   |             | (127,216)                | (211,739)                |
| Net fair value gain/(loss) on investment properties                             | 6           | <u>4,865,628</u>         | <u>(468)</u>             |
| <b>Profit before income tax</b>   |             | 4,892,676                | 780,896                  |
| Income tax expense  |             | <u>-</u>                 | <u>-</u>                 |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |             | 4,892,676                | 780,896                  |
| Other comprehensive income for the year, net of tax                             |             | -                        | -                        |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |             | <u><u>4,892,676</u></u>  | <u><u>780,896</u></u>    |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**EG Core Plus Fund No.1 Ownership Trust No.6**  
**Statement of financial position**  
**For the year ended 30 June 2018**

|                                      | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|--------------------------------------|-------------|--------------------------|--------------------------|
| <b>Assets</b>                        |             |                          |                          |
| <b>Current assets</b>                |             |                          |                          |
| Cash and cash equivalents            | 4           | 19,175                   | 1,040,459                |
| Trade and other receivables          | 5           | 110                      | 187,139                  |
| Total current assets                 |             | <u>19,285</u>            | <u>1,227,598</u>         |
| <b>Non-current assets</b>            |             |                          |                          |
| Investment properties                | 6           | -                        | 16,000,000               |
| Total non-current assets             |             | <u>-</u>                 | <u>16,000,000</u>        |
| <b>Total assets</b>                  |             | <u>19,285</u>            | <u>17,227,598</u>        |
| <b>Liabilities</b>                   |             |                          |                          |
| <b>Current liabilities</b>           |             |                          |                          |
| Trade and other payables             | 7           | -                        | 184,268                  |
| Total current liabilities            |             | <u>-</u>                 | <u>184,268</u>           |
| <b>Non-current liabilities</b>       |             |                          |                          |
| Borrowings                           | 8           | -                        | 6,324,947                |
| <b>Total non-current liabilities</b> |             | <u>-</u>                 | <u>6,324,947</u>         |
| <b>Total liabilities</b>             |             | <u>-</u>                 | <u>6,509,215</u>         |
| <b>Net assets</b>                    |             | <u>19,285</u>            | <u>10,718,383</u>        |
| <b>Equity</b>                        |             |                          |                          |
| Unit capital                         | 9           | 19,285                   | 7,400,000                |
| Retained earnings                    | 10          | -                        | 3,318,383                |
| <b>Total equity</b>                  |             | <u>19,285</u>            | <u>10,718,383</u>        |

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



**EG Core Plus Fund No.1 Ownership Trust No.6**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.6 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 25 March 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.6 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower  
Suite 1, Level 21  
1 Farrer Place  
Sydney NSW 2000

**Note 2. Summary of significant accounting policies**

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

**(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

*Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

**(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

**(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

*Rental Income*

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

*Interest*

Interest income is recognised on a time proportion basis using the effective interest method.

**(d) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

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

**(e) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

**(f) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

**(g) Investment property**

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

*Valuations*

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

*Disposals*

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

**(h) Trade and other payables**

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

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

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

**(i) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

**(j) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(l) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**EG Core Plus Fund No.1 Ownership Trust No.6**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

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

**(m) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Note 3. Revenue**

|                            | <b>2018</b>    | <b>2017</b>      |
|----------------------------|----------------|------------------|
|                            | <b>\$</b>      | <b>\$</b>        |
| Rental revenue             | 399,190        | 1,010,000        |
| Tenant recoveries          | 101,126        | 213,777          |
| <b>Total revenue</b>       | <b>500,316</b> | <b>1,223,777</b> |
| Interest revenue           | 26,583         | 10,700           |
| <b>Total other revenue</b> | <b>26,583</b>  | <b>10,700</b>    |

**Note 4. Cash and cash equivalents**

|                          | <b>2018</b> | <b>2017</b> |
|--------------------------|-------------|-------------|
|                          | <b>\$</b>   | <b>\$</b>   |
| Cash at bank and on hand | 19,175      | 1,040,459   |

**Note 5. Trade and other receivables**

|                   | <b>2018</b> | <b>2017</b>    |
|-------------------|-------------|----------------|
|                   | <b>\$</b>   | <b>\$</b>      |
| Trade receivables | -           | 22,346         |
| Other receivables | 40          | -              |
| Prepayments       | 70          | 164,793        |
|                   | <b>110</b>  | <b>187,139</b> |

**EG Core Plus Fund No.1 Ownership Trust No.6**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 6. Non-current assets – Investment properties**

|                                       | 2018<br>\$ | 2017<br>\$ |
|---------------------------------------|------------|------------|
| Investment properties – at fair value | -          | 16,000,000 |

**(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial period are set out below**

|                                   |              |            |
|-----------------------------------|--------------|------------|
| Opening balance                   | 16,000,000   | 16,000,000 |
| Additions                         | 49,372       | 468        |
| Revaluation increment/(decrement) | 4,865,628    | (468)      |
| Disposal                          | (20,915,000) | -          |
| Closing fair value                | -            | 16,000,000 |

**Note 7. Trade and payables**

|                | 2018<br>\$ | 2017<br>\$ |
|----------------|------------|------------|
| Other payables | -          | 184,268    |

**Note 8. Current liabilities – Borrowings**

|                    | 2018<br>\$ | 2017<br>\$ |
|--------------------|------------|------------|
| <i>Non-Current</i> |            |            |
| Bank loans         | -          | 6,324,947  |

**Note 9. Unit capital**

|                                    | 2018<br>Number | 2018<br>\$  | 2017<br>Number | 2017<br>\$  |
|------------------------------------|----------------|-------------|----------------|-------------|
|                                    | 19,285         | 19,285      | 7,400,000      | 7,400,000   |
| <i>Movements in ordinary units</i> |                |             |                |             |
|                                    |                | No of units | Issue price    | \$          |
| Balance at 1 July 2017             |                | 7,400,000   | \$1.00         | 7,400,000   |
| Return of capital                  |                | (7,380,715) | \$1.00         | (7,380,715) |
| Balance at 30 June 2018            |                | 19,285      |                | 19,285      |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**EG Core Plus Fund No.1 Ownership Trust No.6**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 10. Retained earnings**

Movements in retained earnings during the financial year are as follows:

|  | <b>2018</b>        | <b>2017</b>      |
|--|--------------------|------------------|
|  | <b>\$</b>          | <b>\$</b>        |
| Retained earnings at the beginning of the year | 3,318,383          | 2,691,423        |
| Profit after income tax expense for the year   | 4,892,676          | 780,896          |
| Distribution to Head Trust                     | <u>(8,211,059)</u> | <u>(153,936)</u> |
| Retained earnings at the end of the year       | <u>-</u>           | <u>3,318,383</u> |

**Note 11. Trust details**

**(a) The Trust**

The Trust was officially established on 25 March 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 24 March 2095.

**(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited.  
The registered office and principal place of business of the Trustee Company is:  
Level 15  
20 Bond Street  
Sydney NSW 2000

**(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:  
Governor Phillip Tower  
Suite 1, Level 21,  
1 Farrer Place  
Sydney NSW 2000


**EG Core Plus Fund No. 1 Ownership Trust No. 6**  
**Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Ownership Trust No. 7**

**Annual Report**  
**For the year ended 30 June 2018**



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**EG Core Plus Fund No.1 Ownership Trust No.7**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

|   | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|---|-------------|--------------------------|--------------------------|
| <b>Revenue</b>  | 3           | 5,378,493                | 4,925,441                |
| Other revenue   | 3           | 134,313                  | 19,223                   |
| Property expenses   |             | (1,571,435)              | (1,104,425)              |
| Administration expenses   |             | (293)                    | (27,298)                 |
| Finance costs   |             | (842,206)                | (857,488)                |
| Net fair value gain on investment properties                                    | 7           | <u>26,077,975</u>        | <u>8,900,612</u>         |
| <b>Profit before income tax</b>   |             | 29,176,847               | 11,856,065               |
| Income tax expense  |             | <u>-</u>                 | <u>-</u>                 |
| <b>Profit after income tax for the year attributable to the unit holders</b>    |             | 29,176,847               | 11,856,065               |
| Other comprehensive income for the year, net of tax                             |             | -                        | -                        |
| <b>Total comprehensive income for the year attributable to the unit holders</b> |             | <u><b>29,176,847</b></u> | <u><b>11,856,065</b></u> |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**EG Core Plus Fund No.1 Ownership Trust No.7**  
**Statement of financial position**  
**As at 30 June 2018**

|                                  | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|----------------------------------|-------------|--------------------------|--------------------------|
| <b>Assets</b>                    |             |                          |                          |
| <b>Current assets</b>            |             |                          |                          |
| Cash and cash equivalents        | 4           | 2,023,244                | 2,039,704                |
| Trade and other receivables      | 5           | 681,464                  | 470,751                  |
| Non-current assets held for sale | 6           | 88,710,800               | -                        |
| Total current assets             |             | <u>91,415,508</u>        | <u>2,510,455</u>         |
| <b>Non-current assets</b>        |             |                          |                          |
| Investment properties            | 7           | -                        | 58,500,000               |
| Total non-current assets         |             | <u>-</u>                 | <u>58,500,000</u>        |
| <b>Total assets</b>              |             | <u>91,415,508</u>        | <u>61,010,455</u>        |
| <b>Liabilities</b>               |             |                          |                          |
| <b>Current liabilities</b>       |             |                          |                          |
| Trade and other payables         | 8           | 3,613,920                | 390,892                  |
| Borrowings                       | 9           | 21,099,028               | -                        |
| Total current liabilities        |             | <u>24,712,948</u>        | <u>390,892</u>           |
| <b>Non-current liabilities</b>   |             |                          |                          |
| Borrowings                       | 9           | -                        | 21,093,850               |
| Total non-current liabilities    |             | <u>-</u>                 | <u>21,093,850</u>        |
| <b>Total liabilities</b>         |             | <u>24,712,948</u>        | <u>21,484,742</u>        |
| <b>Net assets</b>                |             | <u><b>66,702,560</b></u> | <u><b>39,525,713</b></u> |
| <b>Equity</b>                    |             |                          |                          |
| Unit capital                     | 10          | 27,056,000               | 27,056,000               |
| Retained earnings                | 11          | <u>39,646,560</u>        | <u>12,469,713</u>        |
| <b>Total equity</b>              |             | <u><b>66,702,560</b></u> | <u><b>39,525,713</b></u> |

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

**EG Core Plus Fund No.1 Ownership Trust No.7**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.7 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 31 March 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.7 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower  
Suite 1, Level 21  
1 Farrer Place  
Sydney NSW 2000

**Note 2. Summary of significant accounting policies**

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

**(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

*Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

**(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

**(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

*Rental Income*

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

*Interest*

Interest income is recognised on a time proportion basis using the effective interest method.

**(d) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

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

**(e) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

**(f) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

**(g) Investment property**

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

*Valuations*

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

*Disposals*

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

**(h) Trade and other payables**

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

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

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

**(i) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

**(j) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(l) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**(m) Non-current assets classified as held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current asset, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised. Non-current assets classified as held for sale are presented separately on the face of the statement of financial position, in current assets.

**EG Core Plus Fund No.1 Ownership Trust No.7**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

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

**(n) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Note 3. Revenue**

|                      | <b>2018</b>      | <b>2017</b>      |
|----------------------|------------------|------------------|
|                      | <b>\$</b>        | <b>\$</b>        |
| Rental revenue       | 5,137,187        | 4,409,001        |
| Tenant recoveries    | 241,306          | 516,440          |
| <b>Total revenue</b> | <b>5,378,493</b> | <b>4,925,441</b> |
| Interest revenue     | 29,312           | 19,223           |
| Insurance Refund     | 105,001          | -                |
| <b>Other revenue</b> | <b>134,313</b>   | <b>19,223</b>    |

**Note 4. Cash and cash equivalents**

|                          | <b>2018</b> | <b>2017</b> |
|--------------------------|-------------|-------------|
|                          | <b>\$</b>   | <b>\$</b>   |
| Cash at bank and on hand | 2,023,244   | 2,039,704   |

**Note 5. Trade and other receivables**

|                   | <b>2018</b>    | <b>2017</b>    |
|-------------------|----------------|----------------|
|                   | <b>\$</b>      | <b>\$</b>      |
| Trade receivables | 514,074        | 17,651         |
| Prepayments       | 167,390        | 453,100        |
|                   | <b>681,464</b> | <b>470,751</b> |

**EG Core Plus Fund No.1 Ownership Trust No.7**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 6. Non-current assets held for sale**

|                                  | <b>2018</b>       | <b>2017</b> |
|----------------------------------|-------------------|-------------|
|                                  | <b>\$</b>         | <b>\$</b>   |
| Non-current assets held for sale | <u>88,710,800</u> | <u>-</u>    |

**(a) Reconciliation of the non-current assets held for sale at the beginning and end of the financial period are set out below**

|   |                   |          |
|---|-------------------|----------|
| Opening balance                             | -                 | -        |
| Reclassification from investment properties | <u>88,710,800</u> | <u>-</u> |
| Closing balance                             | <u>88,710,800</u> | <u>-</u> |

**Note 7. Non-current assets – Investment properties**

|                                       | <b>2018</b> | <b>2017</b>       |
|---------------------------------------|-------------|-------------------|
|                                       | <b>\$</b>   | <b>\$</b>         |
| Investment properties – at fair value | <u>-</u>    | <u>58,500,000</u> |

**(a) Reconciliation of the fair values of investment properties at the beginning and end of the financial period are set out below**

|  |                     |                   |
|--|---------------------|-------------------|
| Opening balance                                      | 58,500,000          | 49,000,000        |
| Additions  | 4,132,825           | 599,388           |
| Revaluation increments                               | 26,077,975          | 8,900,612         |
| Reclassification to non-current assets held for sale | <u>(88,710,800)</u> | <u>-</u>          |
| Closing fair value                                   | <u>-</u>            | <u>58,500,000</u> |

**Note 8. Trade and other payables**

|                | <b>2018</b>      | <b>2017</b>    |
|----------------|------------------|----------------|
|                | <b>\$</b>        | <b>\$</b>      |
| <i>Current</i> |                  |                |
| Trade payables | 13,090           | 21,708         |
| Other payables | <u>3,600,830</u> | <u>369,184</u> |
|                | <u>3,613,920</u> | <u>390,892</u> |

**Note 9. Borrowings**

|                    | <b>2018</b>       | <b>2017</b>       |
|--------------------|-------------------|-------------------|
|                    | <b>\$</b>         | <b>\$</b>         |
| <i>Current</i>     |                   |                   |
| Bank loans         | <u>21,099,028</u> | <u>-</u>          |
| <i>Non-current</i> |                   |                   |
| Bank loans         | <u>-</u>          | <u>21,093,850</u> |



**EG Core Plus Fund No.1 Ownership Trust No.7**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 9. Borrowings (continued)**

**Interest rate risk**

The bank loans are currently bearing all-in variable interest rates of 3.57% per annum (2017: 3.04%).

**Assets pledged as security**

The bank loans are secured by first ranking mortgage over the Trust's investment property related to the borrowings. The fair value of the investment property secured is \$88,710,800 (2017: \$58,500,000).

**Covenant conditions**

The bank loans include covenant conditions that require the maintenance of certain financial ratios.

**Financing arrangements**

The Trust's bank loan facility limit at the reporting date was \$21,100,000 of which \$21,100,000 was utilised. Unrestricted access was available at the reporting date for the unused bank loan facility of \$nil.

**Note 10. Unit capital**

|                | <b>2018<br/>Number</b> | <b>2018<br/>\$</b> | <b>2017<br/>Number</b> | <b>2017<br/>\$</b> |
|----------------|------------------------|--------------------|------------------------|--------------------|
| Ordinary units | <u>27,056,000</u>      | <u>27,056,000</u>  | <u>27,056,000</u>      | <u>27,056,000</u>  |

Each fully paid ordinary unit is priced at \$1.00 and at 30 June 2018 is paid up to \$1.00 (2017: \$1.00).

Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Trust in proportion to the number of and amounts paid on the units held.

On a show of hands every holder of ordinary unit present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each fully paid unit is entitled to one vote.

**Note 11. Retained earnings**

Movements in retained earnings during the financial year are as follows:

|  | <b>2018<br/>\$</b> | <b>2017<br/>\$</b> |
|--|--------------------|--------------------|
| Retained earnings at the beginning of the year | 12,469,713         | 1,613,648          |
| Profit after income tax expense for the year   | 29,176,847         | 11,856,065         |
| Distributions to Head Trust                    | <u>(2,000,000)</u> | <u>(1,000,000)</u> |
| Retained earnings at the end of the year       | <u>39,646,560</u>  | <u>12,469,713</u>  |

**EG Core Plus Fund No.1 Ownership Trust No.7**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**11. Trust details**

**(a) The Trust**

The Trust was officially established on 31 March 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 24 March 2095.

**(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited. The registered office and principal place of business of the Trustee Company is:  
Level 15  
20 Bond Street  
Sydney NSW 2000

**(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:  
Governor Phillip Tower  
Suite 1, Level 21,  
1 Farrer Place  
Sydney NSW 2000

**EG Core Plus Fund No. 1 Ownership Trust No. 7**  
**Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

# **EG Core Plus Fund No.1 Ownership Trust No. 8**

**Annual Report**  
**For the year ended 30 June 2018**

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**EG Core Plus Fund No.1 Ownership Trust No.8**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

|  | <b>Note</b> | <b>2018</b><br><b>\$</b> | <b>2017</b><br><b>\$</b> |
|--|-------------|--------------------------|--------------------------|
| <b>Revenue</b>   |             | -                        | -                        |
| Expenses   |             | -                        | -                        |
| <b>Profit before income tax</b>  |             | -                        | -                        |
| Income tax expense   |             | -                        | -                        |
| <b>Profit after income tax for the period attributable to the unit holders</b>         |             | -                        | -                        |
| Other comprehensive income for the year/period, net of tax                             |             | -                        | -                        |
| <b>Total comprehensive income for the year/period attributable to the unit holders</b> |             | -                        | -                        |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**EG Core Plus Fund No.1 Ownership Trust No.8**  
**Statement of financial position**  
**As at 30 June 2018**

|                                | <b>Note</b> | <b>2018</b> | <b>2017</b> |
|--------------------------------|-------------|-------------|-------------|
|                                |             | <b>\$</b>   | <b>\$</b>   |
| <b>Assets</b>                  |             |             |             |
| <b>Current assets</b>          |             |             |             |
| Cash and cash equivalents      |             | -           | -           |
| Trade and other receivables    |             | -           | -           |
| Total current assets           |             | -           | -           |
| <b>Non-current assets</b>      |             |             |             |
| Investment properties          |             | -           | -           |
| Total non-current assets       |             | -           | -           |
| <b>Total assets</b>            |             | -           | -           |
| <b>Liabilities</b>             |             |             |             |
| <b>Current liabilities</b>     |             |             |             |
| Trade and other payables       |             | -           | -           |
| Total current liabilities      |             | -           | -           |
| <b>Non-current liabilities</b> |             |             |             |
| Trade and other payables       |             | -           | -           |
| Borrowings                     |             | -           | -           |
| Total non-current liabilities  |             | -           | -           |
| <b>Total liabilities</b>       |             | -           | -           |
| <b>Net assets</b>              |             | -           | -           |
| <b>Equity</b>                  |             |             |             |
| Unit capital                   |             | -           | -           |
| Retained earnings              |             | -           | -           |
| <b>Total equity</b>            |             | -           | -           |

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

**EG Core Plus Fund No.1 Ownership Trust No.8**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**Note 1. Corporate Information**

The financial statements cover EG Core Plus Fund No.1 Ownership Trust No.8 (referred to hereafter as 'the Trust') for the year ended 30 June 2018. The Trust was established by Trust Deed dated 12 November 2016.

The financial statements are presented in Australian dollars, which is the Trust's functional and presentational currency.

EG Core Plus Fund No.1 Ownership Trust No.8 is a trust domiciled in Australia. Its principal place of business is:

Governor Philip Tower  
Suite 1, Level 21  
1 Farrer Place  
Sydney NSW 2000

**Note 2. Summary of significant accounting policies**

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

**(a) Basis of preparation**

In the Fund Manager's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The Fund Manager has determined that the accounting policies adopted are appropriate to meet their needs.

*Historical Cost Convention*

These financial statements have been prepared under the historical cost convention.

**(b) Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of the business.

**(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

*Rental Income*

Rental income for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

*Interest*

Interest income is recognised on a time proportion basis using the effective interest method.

**(d) Acquisition of assets**

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to their present value as at the date of exchange. The discount rate used is the Trust's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.



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

**(e) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

**(f) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of trade receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment allowance is recognised in earnings.

**(g) Investment property**

Investment properties may be held for rental yields, capital appreciation and/or development.

All investment properties are considered one class of asset.

*Valuations*

Investment properties are measured at fair value and assessed each reporting date to ensure that the carrying amount of each property does not differ materially from its fair value at the reporting date. Changes in fair values are recognised in profit or loss.

In accordance with the Trust Deeds, independent valuations of investment properties are made at every financial year. These valuations are considered by the Review Committee when determining fair value.

Fair value is based on the price which a property might reasonably be expected to be sold at the date of the valuation assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market; and
- (iv) that no account is taken of the value or other advantage or benefit, additional to the market value, to the buyer incidental to ownership of the property being valued.

*Disposals*

The gain or loss on disposal of investment properties is calculated as the difference between the carrying amount of the investment property at the time of the disposal and the proceeds on disposal and is included in profit or loss in the period of disposal.

**(h) Trade and other payables**

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

Other liabilities expected to be settled more than 12 months after the reporting date are classified as non-current.

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

**(i) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the financial position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings which expire within twelve months from the end of the financial year are classified as current.

**(j) Unit holders' funds**

Unit holders' funds are classified as unit capital in equity.

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(l) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

**EG Core Plus Fund No.1 Ownership Trust No.8**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

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

**(m) Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**3. Trust details**

**(a) The Trust**

The Trust was officially established on 12 November 2016 when the Trust Deeds were executed and adopted. The expected termination date as per the Trust Deed is 11 November 2095.

**(b) The Trustee**

The Trust is administered by an external trustee company, The Trust Company (Australia) Limited.  
The registered office and principal place of business of the Trustee Company is:  
Level 15  
20 Bond Street  
Sydney NSW 2000

**(c) The Fund Manager**

EG Funds Management Pty Limited was appointed to manage and invest the assets of the Trust pursuant to the Asset Management Agreement dated 17 February 2014.

The registered office and principal place of business of the Fund Manager is:  
Governor Phillip Tower  
Suite 1, Level 21,  
1 Farrer Place  
Sydney NSW 2000

**EG Core Plus Fund No. 1 Ownership Trust No. 8**  
**Fund Manager's declaration**

As described in the basis of preparation accounting policy included in note 2 to the financial statements, the Trust is not a reporting entity and these are special purpose financial statements.

The directors of the Fund Manager declare that:

- (a) the financial statements and notes comply with the accounting policies as detailed in note 2 to the financial statements; and
- (b) the financial statements and notes presents fairly, in all material respects, the Trust's financial position as at 30 June 2018 and of its performance for the year ended on that date.
- (c) the financial statements and notes are in accordance with the Constitution; and
- (d) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the directors of the Fund Manager.



Michael Easson  
Director



Adam Geha  
Director

Sydney  
31 July 2018

**IPG UNIT TRUST**  
**SPECIAL PURPOSE FINANCIAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**AMP Capital Investors Limited**  
**33 Alfred Street,**  
**Sydney, NSW 2000**  
**ACN 001 777 591**

## IPG UNIT TRUST

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**IPG UNIT TRUST**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

|  | <b>30 June 2018</b> | <b>30 June 2017</b> |
|--|---------------------|---------------------|
|  | <b>\$</b>           | <b>\$</b>           |
| <b>INVESTMENT INCOME</b>   |                     |                     |
| Dividends  | 3,934,818           | 938,979             |
| Interest income  | 467,544             | 476,089             |
| Net changes in the fair value of financial instruments measured at fair value through profit or loss | <u>(5,848,888)</u>  | <u>759,020</u>      |
| <b>Total investment income/(loss)</b>  | <u>(1,446,526)</u>  | <u>2,174,088</u>    |
| <b>EXPENSES</b>  |                     |                     |
| <b>Total expenses</b>  | <u>-</u>            | <u>-</u>            |
| <b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS</b>                            | (1,446,526)         | 2,174,088           |
| <b>Finance costs attributable to unitholders</b>   |                     |                     |
| Distributions to unitholders   | (4,402,362)         | (1,415,125)         |
| (Increase)/decrease in net assets attributable to unitholders  | <u>5,848,888</u>    | <u>(758,963)</u>    |
| <b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS</b>                             | <u>-</u>            | <u>-</u>            |
| Other comprehensive income   | <u>-</u>            | <u>-</u>            |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>   | <u><u>-</u></u>     | <u><u>-</u></u>     |

**IPG UNIT TRUST**

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

|  | Notes | 30 June 2018<br>\$       | 30 June 2017<br>\$       |
|--|-------|--------------------------|--------------------------|
| <b>ASSETS</b>  |       |                          |                          |
| Cash and cash equivalents  |       | 2,563,493                | 417,962                  |
| Receivables  | 2     | 18,882                   | 105                      |
| Financial assets measured at amortised cost  |       |                          |                          |
| Loans and advances   |       | 4,912,671                | 5,729,753                |
| Financial assets measured at fair value through profit or loss                             |       |                          |                          |
| Unlisted equity securities   |       | <u>22,004,970</u>        | <u>27,853,858</u>        |
| <b>TOTAL ASSETS</b>  |       | <u><u>29,500,016</u></u> | <u><u>34,001,678</u></u> |
| <b>LIABILITIES</b>   |       |                          |                          |
| Distributions payable  |       | <u>1,765,267</u>         | <u>418,041</u>           |
| <b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE<br/>TO UNITHOLDERS - LIABILITY*</b> |       | <u>1,765,267</u>         | <u>418,041</u>           |
| <b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - EQUITY*</b>                                    |       | <u><u>27,734,749</u></u> | <u><u>-</u></u>          |
| <b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY*</b>                                 |       | <u><u>-</u></u>          | <u><u>33,583,637</u></u> |

\*Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Refer to Note 1(b) for further details.



IPG UNIT TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

|  | 30 June 2018      | 30 June 2017 |
|--|-------------------|--------------|
|  | \$                | \$           |
| Balance at the beginning of the financial year - Equity  | -                 | -            |
| Reclassification of net assets attributable to unitholders from liabilities to equity - transfer in* | 27,734,749        | -            |
| <b>Balance at the end of the financial year - Equity*</b>  | <u>27,734,749</u> | <u>-</u>     |

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

|   |                     |                   |
|---|---------------------|-------------------|
| Balance at the beginning of the financial year - Liability  | 33,583,637          | 29,627,140        |
| Applications  | <u>-</u>            | <u>3,197,534</u>  |
|   | 33,583,637          | 32,824,674        |
| Increase/(decrease) in net assets attributable to unitholders   | <u>(5,848,888)</u>  | <u>758,963</u>    |
| Reclassification of net assets attributable to unitholders from liabilities to equity - transfer out* | <u>(27,734,749)</u> | <u>-</u>          |
| <b>Balance at the end of the financial year - Liability*</b>  | <u>-</u>            | <u>33,583,637</u> |

\*Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Refer to Note 1(b) for further details.

IPG UNIT TRUST

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

|   | Notes | 30 June 2018<br>\$      | 30 June 2017<br>\$    |
|---|-------|-------------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |       |                         |                       |
| Dividends received  |       | 3,934,818               | 938,979               |
| Interest income received  |       | <u>448,767</u>          | <u>476,039</u>        |
| <b>Net cash inflow/(outflow) from operating activities</b>                                    | 4(a)  | 4,383,585               | 1,415,018             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |       |                         |                       |
| Proceeds from repayment of loans and advances   |       | 817,082                 | -                     |
| Payments for purchases of financial instruments measured at fair value through profit or loss |       | <u>-</u>                | <u>(3,197,535)</u>    |
| <b>Net cash inflow/(outflow) from investing activities</b>                                    |       | 817,082                 | (3,197,535)           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |       |                         |                       |
| Proceeds from applications by unitholders   |       | -                       | 3,197,534             |
| Distributions paid  |       | <u>(3,055,136)</u>      | <u>(2,575,576)</u>    |
| <b>Net cash inflow/(outflow) from financing activities</b>                                    |       | (3,055,136)             | 621,958               |
| <b>Net increase/(decrease) in cash and cash equivalents held</b>                              |       | 2,145,531               | (1,160,559)           |
| Cash and cash equivalents at the beginning of the financial year                              |       | <u>417,962</u>          | <u>1,578,521</u>      |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>                             |       | <u><u>2,563,493</u></u> | <u><u>417,962</u></u> |

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

**(a) Trust Information**

The IPG Unit Trust (the "Trust") is an unregistered unit trust. AMP Capital Investors Limited, the Trustee of the Trust, is incorporated and domiciled in Australia. The registered office of the Trustee is located at 33 Alfred Street, Sydney, NSW 2000.

The Investment Manager of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited.

The principal activity of the Trust during the financial year is the investment of unitholders' funds in accordance with the Trust Deed. There has been no significant change in the nature of this activity during the financial year.

**(b) Basis of Preparation**

This special purpose Financial Report has been prepared for distribution to the unitholders to fulfil the financial reporting requirements under the Trust Deed. In the opinion of the Trustee, the Trust is not deemed to be a "reporting entity" because there are no users dependent on a general purpose Financial Report.

The Financial Report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the Trustee to meet the needs of users of the Financial Report. The Financial Report has been prepared on a going concern basis and an accrual basis of accounting including the historical cost convention except for financial assets measured at fair value through profit or loss.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Trust's assets and liabilities are held for the purpose of being traded or are expected to be realised within 12 months, except for assets measured at fair value through profit and loss, for which given the nature of the Trust, a reasonable estimate cannot be made of the amount of the balances that are unlikely to be settled within 12 months.

*Reclassification of net assets attributable to unitholders from financial liability to equity*

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") tax regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. Prior to 30 June 2018 the Trust classified its net assets attributable to unitholders as liabilities in accordance with AASB132 *Financial Instruments: Presentation*. In order to allow the Trust to elect into the AMIT tax regime, the Trust's Constitution has been amended and other conditions required to adopt the AMIT tax regime have also been met effective from 30 June 2018. Adopting the AMIT tax regime removes the Trustee's contractual obligation to distribute trust income to unitholders. Consequently, effective from 30 June 2018, the Trust's net assets attributable to unitholders have been reclassified to equity in accordance with AASB 132 Financial Instruments: Presentation.

**(c) Financial Assets Measured at Fair Value Through Profit or Loss**

Financial instruments have been designated as financial instruments held at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

*Unlisted equity securities*

The fair value of unlisted equity securities is determined by the Investment Manager using the discounted cash flow methodology. This methodology has been approved by the Trustee.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(d) Significant Accounting Judgements, Estimates and Assumptions**

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

*Fair value measurement of investments in financial instruments*

The majority of the Trust's investments are financial instruments measured at fair value through profit or loss.

Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets is set out in Note 1(c).

*Loans and Advances*

Loans and advances are initially recognised at fair value and are subsequently remeasured to amortised cost using the effective interest method, less any allowances for impairment. Amortised cost is determined by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest method. Ongoing reviews of asset values are conducted to assess for any indicators of impairment during the financial year. Where the carrying value exceeds the recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income.

**(e) Investment Income**

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

*Dividend income*

Dividends from unlisted companies are recognised when the dividend is declared.

*Interest income*

Interest income earned on cash and cash equivalents is recognised on an accrual basis.

*Net changes in the fair value of financial instruments measured at fair value through profit or loss*

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

**(f) Expenses**

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

**(g) Recognition and Derecognition of Financial Assets and Liabilities**

Financial assets and financial liabilities are recognised at the date the Trust becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**(h) Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments which are readily convertible to cash on hand at the Trustee's option and which the Trustee uses in its day to day management of the Trust's cash requirements.

**(i) Receivables**

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified less any allowance for doubtful debts. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(j) Net Assets Attributable to Unitholders**

Net assets attributable to unitholders comprise units on issue and undistributed reserves. Prior to 30 June 2018, net assets attributable to unitholders were classified as liabilities and not as equity because the Trustee had a contractual obligation to pay distributable income of the Trust to unitholders and units are redeemable at the unitholders' option (subject to the provisions of the Trust Constitution). In order to allow the Trust to elect into the AMIT tax regime, the Trust's Constitution has been amended and other conditions required to adopt the AMIT tax regime have also been met effective from 30 June 2018. Adopting the AMIT tax regime removes the Trustee's contractual obligation to distribute trust income to unitholders. As the Trustee no longer has any contractual obligations to pay distributions, and the units on issue comprise one class of units with identical features which are equally subordinate to any other financial instruments on issue, the Trust's net assets attributable to unitholders have been reclassified to equity in accordance with AASB 132 Financial Instruments: Presentation.

Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. The fair value of units requested to be redeemed is measured at the redemption amount that would be payable (based on the exit unit price) at the balance date. The Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders. Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Trustee if it is in the best interests of the unitholders.

**(k) Taxation**

Under tax legislation, the Trust is not liable to pay income tax because it has met certain conditions required to adopt the AMIT tax regime effective from 30 June 2018 and for the year ended on that date. Under the AMIT tax regime unitholders are attributed the income of the Trust.

In the comparative period, and under tax legislation, the Trust was not liable to pay income tax since, under the terms of the Trust Deed, the unitholders were presently entitled to the income of the Trust.

**(l) Distributable Income**

Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Up until this date, in accordance with the Trust Deed, the Trust fully distributed its distributable income to unitholders. Such distributions were determined by reference to the taxable income of the Trust. Distributions were recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses arising from net changes in the fair value of financial assets and derivative financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

**(m) Foreign Currency Transactions***(i) Functional and presentation currency*

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The presentation currency of this Financial Report, and the functional currency of the Trust, is the Australian dollar.

*(ii) Transactions and balances*

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated to Australian dollars using the exchange rate at the date when the fair value was determined.

**(n) Terms and Conditions of Units on Issue**

Issued and paid up units are initially recognised at the fair value of the consideration received by the Trust.

Each unit confers upon the unitholder an equal interest in the Trust (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Trust.

Unitholders have various rights under the Trust Deed, which, subject to certain terms and conditions, include the right to:

- have their units redeemed
- attend and vote at meetings of unitholders
- participate in the termination and winding up of the Trust.

Applications received for units in the Trust are recognised net of any transaction costs arising on the issue of units in the Trust. Redemptions from the Trust are recognised gross of any transaction costs payable after the cancellation of units redeemed. Unit entry and exit prices are determined in accordance with the Trust Deed.

**IPG UNIT TRUST**

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Goods and Services Tax ("GST")**

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of Financial Position.

Cash flows are disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

IPG UNIT TRUST

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

| 30 June 2018 | 30 June 2017 |
|--------------|--------------|
| \$           | \$           |

**NOTE 2: RECEIVABLES**

|                     |               |            |
|---------------------|---------------|------------|
| Interest receivable | 18,882        | 105        |
|                     | <u>18,882</u> | <u>105</u> |

| 30 June 2018 | 30 June 2017 |
|--------------|--------------|
| Units        | Units        |

**NOTE 3: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

The movement in the number of units on issue during the financial year was as follows:

**Units on Issue**

|                 |                   |                   |
|-----------------|-------------------|-------------------|
| Opening balance | 31,778,879        | 28,632,412        |
| Applications    | -                 | 3,146,467         |
| Closing balance | <u>31,778,879</u> | <u>31,778,879</u> |

| 30 June 2018 | 30 June 2017 |
|--------------|--------------|
| \$           | \$           |

**NOTE 4: CASH AND CASH EQUIVALENTS**

**(a) Reconciliation of net profit/(loss) attributable to unitholders before finance costs to net cash inflow/(outflow) from operating activities**

|  |                         |                         |
|--|-------------------------|-------------------------|
| Net profit/(loss) attributable to unitholders before finance costs                                   | (1,446,526)             | 2,174,088               |
| Net changes in the fair value of financial instruments measured at fair value through profit or loss | 5,848,888               | (759,020)               |
| Changes in assets and liabilities:   |                         |                         |
| (Increase)/decrease in receivables   | <u>(18,777)</u>         | <u>(50)</u>             |
| <b>Net cash inflow/(outflow) from operating activities</b>   | <u><b>4,383,585</b></u> | <u><b>1,415,018</b></u> |

**NOTE 5: COMMITMENTS AND CONTINGENCIES**

The Trust had no commitments or contingencies at 30 June 2018 (30 June 2017: nil).

**NOTE 6: EVENTS OCCURRING AFTER THE BALANCE DATE**

Since 30 June 2018 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Trust.

**NOTE 7: AUTHORISATION OF THE FINANCIAL REPORT**

The Financial Report of the IPG Unit Trust for the financial year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 18 September 2018.

**IPG UNIT TRUST**

**STATEMENT BY THE TRUSTEE**

As stated in Note 1(b) to the Financial Statements, in the Trustee's opinion, the Trust is not a "reporting entity".

In accordance with a resolution of the Directors of AMP Capital Investors Limited, the Trustee, I state that in the opinion of the Directors of the Trustee:

- (a) The Financial Statements and notes are in accordance with the requirements of the Trust Deed, and:
  - (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
  - (ii) comply with Australian Accounting Standards, to the extent set out in Note 1(b) to the Financial Statements.
- (b) There are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.



Director

18 September 2018, Sydney



# **LBC Unit Trust**

## **Special Purpose Financial Report**

**30 June 2018**

# **LBC Unit Trust**

## **Trustee's Report**

---

The directors of the Trustee Company, STC Funds Nominee Pty Ltd (the "Trustee"), present their report together with the special purpose financial report of LBC Unit Trust (the "Trust") for the year ended 30 June 2018.

### **Directors**

The directors of the Trustee at any time during or since the end of the financial year are:

L Buck  
J Livanas

### **Principal activities**

The principal activity of the Trust from its inception on 25 May 2007 to 30 June 2018 was to be an investment trust.

The investment in Challenger LBC Terminals Holding Company Ltd was sold in September 2017.

### **Review and results of operations**

The net loss for the year was \$154,046 (2017 profit: \$24,739,608).

### **Distributions**

A distribution of \$65,563,299 (2017: Nil) was made to unit holders during the year.

A return of capital of \$139,171,417 (2017: Nil) was made to unit holders during the year.

### **State of affairs**

In the opinion of the Trustee there were no significant changes in the nature of the Trust's activities that occurred during the financial year. However, the Trustee notes as a significant change, that the Trust divested its holding in the Challenger LBC Terminals Holding Company Ltd during the course of the year.

### **Events subsequent to balance date**

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Trustee of the Trust, to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

### **Likely developments**

In the opinion of the Trustee, information about likely developments in the operations of the Trust and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Trust.

## LBC Unit Trust

### Trustee's Report

---

#### Interest of the Trustee

There were no fees paid to the Trustee and its associates out of the Trust's property during the period.

The Trustee held no units in the Trust at year end.

#### Indemnification and insurance of officers

No insurance premiums are paid out of the assets of the Trust for insurance cover provided to the Trustee of the Trust. If the Trustee acts in accordance with the constitution and the law, the Trustee is generally entitled to indemnity out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

#### Options

No options have been granted to any person in relation to any units in the Trust.

Signed in accordance with a resolution of the Trustee:



.....  
Director

Dated at SIC OFFICES this 5th day of October 2018.

## **LBC Unit Trust**

### **Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2018**

---

|   | <b>Note</b> | <b>2018</b><br>\$ | <b>2017</b><br>\$ |
|---|-------------|-------------------|-------------------|
| <b>Revenue from operating activities</b>  | <b>2</b>    | -                 | 24,739,608        |
| <b>Expenses from operating activities</b> | <b>3</b>    | (154,046)         | -                 |
| <b>Profit/(loss) for the year</b>         |             | <u>(154,046)</u>  | <u>24,739,608</u> |

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 10.

**LBC Unit Trust**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2018**

|   | Units             | Contributed<br>unit capital<br>\$ | Retained earnings<br>\$ | Total<br>\$   |
|---|-------------------|-----------------------------------|-------------------------|---------------|
| <b>Balance 1 July 2017</b>                | 98,757,096        | 139,171,582                       | 65,717,345              | 204,888,927   |
| Issue of new units                        | -                 | -                                 | -                       | -             |
| Profit/(loss)<br>attributable to Trust    | -                 | -                                 | (154,046)               | (154,046)     |
| Return of capital paid<br>to unit holders | -                 | (139,171,417)                     | -                       | (139,171,417) |
| Distributions paid to<br>unit holders     | -                 | -                                 | (65,563,299)            | (65,563,299)  |
| <b>Balance 30 June 2018</b>               | <b>98,757,096</b> | <b>165</b>                        | <b>-</b>                | <b>165</b>    |

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 10.

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**LBC Unit Trust**  
**Statement of Financial Position**  
**As at 30 June 2018**

|   | <b>Note</b> | <b>2018</b><br>\$ | <b>2017</b><br>\$  |
|---|-------------|-------------------|--------------------|
| <b>Current assets</b>                                   |             |                   |                    |
| Settlement sum  |             | 165               | 165                |
| <b>Total current assets</b>                             |             | <u>165</u>        | <u>165</u>         |
| <b>Non-current assets</b>                               |             |                   |                    |
| Investments   | 4           | -                 | 204,888,762        |
| <b>Total non-current assets</b>                         |             | <u>-</u>          | <u>204,888,762</u> |
| <b>Total assets</b>                                     |             | <u>165</u>        | <u>204,888,927</u> |
| <b>Current liabilities</b>                              |             | -                 | -                  |
| <b>Total current liabilities</b>                        |             | <u>-</u>          | <u>-</u>           |
| <b>Non-current liabilities</b>                          |             | -                 | -                  |
| <b>Total non-current liabilities</b>                    |             | <u>-</u>          | <u>-</u>           |
| <b>Net assets attributable to unit holders</b>          |             | <u>165</u>        | <u>204,888,927</u> |
| <b>Net assets attributable to unit holders - Equity</b> |             | <u>165</u>        | <u>204,888,927</u> |

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 10.

**LBC Unit Trust**  
**Statement of Cash Flows**  
**For the year ended 30 June 2018**

|   | Note | 2018<br>\$                    | 2017<br>\$   |
|---|------|-------------------------------|--------------|
| <b>Cash flows from operating activities</b>         |      | -                             | -            |
| Net cash provided by operating activities           |      | -                             | -            |
| <b>Cash flows from investing activities</b>         |      |                               |              |
| Interest received                                   |      | -                             | -            |
| Divestment of units or shares                       |      | 204,734,716                   | -            |
| Purchase of units or shares                         |      | -                             | (16,650,561) |
| Net cash provided by/(used in) investing activities |      | 204,734,716                   | (16,650,561) |
| <b>Cash flows from financing activities</b>         |      |                               |              |
| Distribution to unit holders                        |      | (65,563,299)<br>(139,171,417) | -            |
| Return of capital                                   |      | -                             |              |
| Issue of additional units                           |      |                               | 16,650,561   |
| Net cash (used in)/provided by financing activities |      | (204,734,716)                 | 16,650,561   |
| <b>Net increase in cash held</b>                    |      | -                             | -            |
| <b>Cash at the beginning of the year</b>            |      | -                             | -            |
| <b>Cash at the end of the year</b>                  |      | -                             | -            |

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 7 to 10.

# LBC Unit Trust

## Notes to and forming part of the financial report For the year ended 30 June 2018

---

### **Note 1**      **Statement of Significant Accounting Policies**

The undertakings of the Trust are carried out by the Trustee, STC Funds Nominee Pty Ltd, on behalf of the Trust. The Trust was established for the purpose of acquiring shares in Challenger LBC Terminals Holding Company Ltd.

In the opinion of the Trustee the Trust is not a reporting entity. The financial report of the Trust has been drawn up as a special purpose financial report in order to fulfill the Trustee's duties under the Trust Deed to prepare financial statements.

The financial report has been prepared in accordance with the requirements of the following accounting standards adopted by the Australian Accounting Standards Board ("AASB").

*AASB 101 Presentation of Financial Statements*

*AASB 107 Statement of Cash Flows*

*AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*

*AASB 1048 Interpretation of Standards*

No other accounting standards, accounting interpretations or other authoritative pronouncements of the AASB have been applied.

#### **(a) Basis of preparation**

The financial report is presented in Australian dollars.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preparation of a financial report in conformity with Australian Standards requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied.



# **LBC Unit Trust**

## **Notes to and forming part of the financial report For the year ended 30 June 2018**

---

### **Note 1 Statement of Significant Accounting Policies (continued)**

#### **(b) Financial instruments**

##### **Recognition**

Financial Instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### **Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and with the requirements of AASB 139: *Recognition and Measurement of Financial Instruments*. Derivatives are also categories as held for trading unless they are designed as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments. Gains and losses arising from changes in fair value are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

##### **Financial liabilities**

Non-derivative financial liabilities are reflected at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

##### **Fair value**

Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transaction, reference to similar instruments and option pricing models.

##### **Impairment**

At each reporting date, the trust assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

# LBC Unit Trust

## Notes to and forming part of the financial report For the year ended 30 June 2018

|               |   | 2018      | 2017        |
|---------------|---|-----------|-------------|
|               |   | \$        | \$          |
| <b>Note 2</b> | <b>Revenue</b>  |           |             |
|               | Movement in fair value of financial assets  | -         | 24,739,608  |
|               |   | -         | 24,739,608  |
| <b>Note 3</b> | <b>Expenses</b>   |           |             |
|               | Movement in fair value of financial assets  | (154,046) | -           |
|               |   | (154,046) | -           |
| <b>Note 4</b> | <b>Investments</b>  |           |             |
|               | <b>Non-current</b>  |           |             |
|               | Unlisted investment – Challenger LBC<br>Terminals Holding Company Ltd (at Custodian<br>valuation) | -         | 204,888,762 |

### **Note 5**      **Related Parties**

The names of each person holding the position of director of the Trustee Company, STC Funds Nominee Pty Ltd, during or since the end of the financial year are:

L Buck  
J Livanas

No director has entered into a material contract with the Trust and there were no material contracts involving directors existing at the year end.

There were no contracts involving the Trustee Company and the Trust existing at year end.

## **LBC Unit Trust**

### **Notes to and forming part of the financial report For the year ended 30 June 2018**

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#### **Note 6      Commitments, contingent assets and contingent liabilities**

At 30 June 2018 there were no material commitments for capital expenditure, lease hire expenditure, nor any other type of expenditure not included in the accounts, nor were there any contingent liabilities or contingent assets.

#### **Note 7      Trust details**

The registered office of the Trust is:

c/- SAS Trustee Corporation  
Level 16  
83 Clarence Street  
Sydney NSW 2000

## LBC Unit Trust

### Statement by Trustee

---

The directors of the Trustee Company, STC Funds Nominee Pty Ltd, declare that the Trust is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

In the opinion of STC Funds Nominee Pty Ltd, the Trustee:

1. (a) the LBC Unit Trust has operated during the year ended 30 June 2018 in accordance with the provisions of the Trust Deed dated 25 May 2007; and  
  
(b) the accompanying financial statements, consisting of the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and accompanying notes set out on pages 3 to 10 are properly drawn up in accordance with the basis of accounting described in Note 1 and the Trust Deed so as to present fairly the financial position of the Trust as at 30 June 2018 and the revenue and expenses of the Trust for the year ended 30 June 2018.
2. There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf of the STC Funds Nominee Pty Ltd:

  
.....  
Director

Dated at ..... this 5th day of October 2018.

# **Pisco STC Funds Unit Trust No.1**

**Special Purpose Financial Report – 30 June 2018**

# **Pisco STC Funds Unit Trust No.1**

## **Special Purpose Financial Report - 30 June 2018**

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| Statement of financial position          | 5           |
| Statement of changes in unitholder funds | 6           |
| Statement of cash flows                  | 7           |
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These financial statements cover Pisco STC Funds Unit Trust No. 1 as an individual entity.

The Trustee of Pisco STC Funds Unit Trust No. 1 is Fidante Partners Services Limited (ABN 44 119 605 373).

The Trustee's registered office is:  
Level 2, 5 Martin Place  
SYDNEY NSW 2000

### **Directors' report**

The directors of the Trustee Company, Fidante Partners Services Limited (the "Trustee"), present their report together with the special purpose financial report of Pisco STC Funds Unit Trust No.1 (the "Trust") for the year ended 30 June 2018.

### **Directors**

The following persons held office as directors of Fidante Partners Services Limited during the year or since the end of the year and up to the date of this report:

T Bofinger (appointed 1 July 2018)

A M Collins

A M Murphy

I Saines

A Tobin

R Willis (resigned 30 June 2018)

### **Principal activities**

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust Deed, being a 29.2% interest in GasValpo Jersey Holding Company Limited (GasValpo).

There were no significant changes in the nature of the Trust's activities during the year.

### **Review and results of operations**

The performance of the Trust, as represented by the results of its operations, was as follows:

|                                | 2018      | 2017      |
|--------------------------------|-----------|-----------|
|                                | \$        | \$        |
| Net operating profit/(loss)    | 848,242   | 9,244,674 |
| Distributions paid and payable | 2,067,746 | 6,281,614 |

There was no return of capital from GasValpo in 2018 (2017: nil) paid to its unitholder.

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

In the opinion of the directors there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

### **Matters subsequent to the end of the financial year**

Since the reporting date, financial completion was reached for the sale of all the shares in GasValpo SpA by GasValpo Chile Holding Limitada and GasValpo Cayman Holding Trust (together the "GasValpo Selling Group") to a consortium comprising Marubeni Corporation and Toesca Asset Management ("Marubeni Consortium") on 24 July 2018.

There has not arisen, in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the Trustee of the Trust, to affect significantly:

- the operations of the Trust in future financial years;
- the results of those operations in future financial years; and
- the state of affairs of the Trust in future financial years.



#### Likely developments

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Deed.

#### Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Services Limited. So long as the officers of Fidante Partners Services Limited act in accordance with the Trust Deed and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

#### Fees paid to and interests held in the Trust by the Trustee

There were no fees paid to the Trustee and its associates out of the Trust's property during the period.

The Trustee held no units in the Trust at year end.

#### Interests in the Trust

The Trust is a closed fund with 44,238,125 (2017: 44,238,125) units on issue.

#### Value of net assets

|                                      | 2018<br>\$ | 2017<br>\$ |
|--------------------------------------|------------|------------|
| Value of Trust net assets at 30 June | 60,206,218 | 61,425,722 |

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

#### Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

#### Options

No options have been granted to any person in relation to any units in the Trust.

Signed in accordance with a resolution of directors:

  
Director

Sydney  
12 September 2018



**Pisco STC Funds Unit Trust No.1**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2018**

**Statement of comprehensive income**

|   | Note | 2018<br>\$       | 2017<br>\$        |
|---|------|------------------|-------------------|
| <b>Income</b>   |      |                  |                   |
| Distributions received  |      | 2,067,746        | 6,281,614         |
| Interest received   |      | 2,252            | 213               |
| Net gains on financial instruments held at fair value through profit or loss  | 3    | -                | 4,355,319         |
| Foreign currency gain   |      | 2,357,003        | -                 |
| <b>Total income</b>   |      | <u>4,427,001</u> | <u>10,637,146</u> |
| <b>Expenses</b>   |      |                  |                   |
| Foreign currency loss   |      | -                | 1,392,472         |
| Net losses on financial instruments held at fair value through profit or loss | 3    | 3,578,759        | -                 |
| <b>Total expenses</b>   |      | <u>3,578,759</u> | <u>1,392,472</u>  |
| <b>Profit/(loss) before finance costs</b>                                     |      | <u>848,242</u>   | <u>9,244,674</u>  |
| <b>Finance costs attributable to unitholders</b>                              |      |                  |                   |
| Distributions to unitholders  | 4    | (2,067,746)      | (6,281,614)       |
| (Increase)/decrease in net assets attributable to unitholders                 | 6    | 1,219,504        | (2,963,060)       |
| <b>Other comprehensive income</b>   |      | <u>-</u>         | <u>-</u>          |
| <b>Total comprehensive income for the year</b>                                |      | <u><u>-</u></u>  | <u><u>-</u></u>   |

The statement of comprehensive income is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

**Pisco STC Funds Unit Trust No.1**  
**Statement of Financial Position**  
**As at 30 June 2018**

**Statement of financial position**

|   | Note | 2018<br>\$        | 2017<br>\$        |
|---|------|-------------------|-------------------|
| <b>Current assets</b>   |      |                   |                   |
| Cash and cash equivalents   |      | 4,554             | 1,084             |
| Distributions receivable  |      | -                 | 1,869,157         |
| <b>Total current assets</b>   |      | <u>4,554</u>      | <u>1,870,241</u>  |
| <b>Non-current assets</b>   |      |                   |                   |
| Financial assets held at fair value through profit or loss                  | 5    | 60,201,664        | 61,424,638        |
| <b>Total non-current assets</b>   |      | <u>60,206,218</u> | <u>61,424,638</u> |
| <b>Total assets</b>   |      | <u>60,206,218</u> | <u>63,294,879</u> |
| <b>Current liabilities</b>  |      |                   |                   |
| Distributions payable   | 4    | -                 | 1,869,157         |
| Return of capital payable   |      | -                 | -                 |
| <b>Total current liabilities</b>  |      | <u>-</u>          | <u>1,869,157</u>  |
| <b>Non-current liabilities</b>  |      | <u>-</u>          | <u>-</u>          |
| <b>Total non-current liabilities</b>  |      | <u>-</u>          | <u>-</u>          |
| <b>Total liabilities (excluding net assets attributable to unitholders)</b> |      | <u>-</u>          | <u>-</u>          |
| <b>Net assets attributable to unitholders - liability</b>                   | 6    | <u>60,206,218</u> | <u>61,425,722</u> |

The statement of financial position is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

**Pisco STC Funds Unit Trust No.1**  
**Statement of Changes in Unitholder Funds**  
**For the year ended 30 June 2018**

**Statement of changes in unitholder funds**

|  | Note     | 2018<br>\$        | 2017<br>\$        |
|--|----------|-------------------|-------------------|
| <b>At 1 July – Opening Balance - Liability</b>   |          | <b>61,425,722</b> | <b>58,462,662</b> |
| Change in net assets attributable to unitholders |          | (1,219,504)       | 2,963,060         |
| Calls of capital                                 |          | -                 | -                 |
| Return of capital                                |          | -                 | -                 |
| <b>At 30 June – Closing Balance - Liability</b>  | <b>6</b> | <b>60,206,218</b> | <b>61,425,722</b> |

The statement of changes in unitholder funds is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

**Pisco STC Funds Unit Trust No.1**  
**Statement of Cash Flows**  
**For the year ended 30 June 2018**

**Statement of cash flows**

|  | Note | 2018<br>\$  | 2017<br>\$  |
|--|------|-------------|-------------|
| <b>Cash flows from operating activities</b>                          |      |             |             |
| Interest received  |      | 2,252       | 213         |
| Distributions received   |      | 2,067,746   | 4,412,457   |
| Net cash provided by operating activities                            | 8    | 2,069,998   | 4,412,670   |
| <b>Cash flows from investing activities</b>                          |      |             |             |
| Return of capital  |      | -           | -           |
| Calls on capital   |      | -           | -           |
| Net cash provided by investing activities                            |      | -           | -           |
| <b>Cash flows from financing activities</b>                          |      |             |             |
| Capital return   |      | -           | -           |
| Capital calls  |      | -           | -           |
| Distributions to unitholders   |      | (2,067,746) | (4,412,457) |
| Net cash provided by financing activities                            |      | (2,067,746) | (4,412,457) |
| <b>Effects of exchange rate changes on cash and cash equivalents</b> |      | 1,218       | (1,108)     |
| <b>Net increase/(decrease) in cash held</b>                          |      | 3,470       | (895)       |
| <b>Cash at the beginning of the year</b>                             |      | 1,084       | 1,979       |
| <b>Cash at the end of the year</b>                                   |      | 4,554       | 1,084       |

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

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## **Note 1    General information**

These special purpose financial statements cover Pisco STC Funds Unit Trust No. 1 ('the Trust') as an individual entity. The Trust is an Australian unregistered scheme. The Trust will terminate in accordance with the provisions of the Trust Deed.

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. With its introduction, the Trustee has not amended the Trust's Constitution to allow the Trust to operate as an AMIT.

SAS Trustee Corporation Pooled Fund is the only unitholder of the Trust. The Trust is a controlled entity of SAS Trustee Corporation Pooled Fund.

The financial statements were authorised for issue by the Directors on 12 September 2018.

The nature of the operating and principal activities of the Trust are described in the directors' report. The Trust is a for profit entity.

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

The directors have determined that the Trust is not a reporting entity and accordingly these financial statements are special purpose financial statements prepared for the sole purpose of distributing financial statements to members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with the requirements of the following accounting standards adopted by the Australian Accounting Standards Board ("AASB").

*AASB 101 Presentation of Financial Statements*

*AASB 107 Statement of Cash Flows*

*AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*

## **Basis of preparation**

The financial report is presented in Australian dollars.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preparation of a financial report in conformity with Australian Standards requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied.

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

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

**Financial Instruments**

**Classification**

The Trust's investments are classified as at fair value through profit or loss. They comprise financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted investment vehicles.

**Recognition/derecognition**

Financial Instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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

**Measurement**

***Financial assets and liabilities held at fair value through profit or loss***

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and with the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categories as held for trading unless they are designed as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

***Fair value in an inactive or unquoted market***

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of discounted cash flow models and recent comparable market transactions, or any other valuation methodology that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow methodology is used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date. For other pricing models, inputs are based on market data at the end of the reporting period. Where valuations are used to determine the fair value, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range.

The fair value of the financial assets are measured net of disposal costs.

***Offsetting financial instruments***

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

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

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

**Net assets attributable to unitholders**

Units are redeemable at the unitholders' option and are classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholder exercised their right to redeem units in the Trust.

Units are classified as equity when they satisfy the following criteria under *AASB 132 Financial instruments: Presentation*:

- \* the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Trust's liquidation;
- \* the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- \* the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trust, and it is not a contract settled in the Trust's own equity instruments; and
- \* the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss and cannot be guaranteed.

Net assets attributable to unitholders are classified as a financial liability as they did not satisfy all the above criteria.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment interests designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these interests represent the Trust's investment activity.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

**Financial liabilities**

Non-derivative financial liabilities are reflected at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise.

**Impairment**

At each reporting date, the trust assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

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

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.



**Investment income**

Distribution income is recognised on the ex-Distribution date when the right to receive payment is established with any related foreign withholding tax recorded as an expense.

**Income tax**

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

**Distributions**

In accordance with the Trust Deed, the Trust distributes income adjusted for amounts determined by the Trustee, to unitholders by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

**Change in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

**Receivables**

Receivables may include amounts for Distributions, and are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

**Payables**

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position from when the right for unitholders to receive payment is established.

**Foreign currency**

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the reporting date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non-monetary items measured at fair value in a foreign currency shall be translated to Australian dollars using the exchange rates ruling at the date when the fair value was determined.

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.



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

### **Use of estimates**

The Trust holds financial assets which are determined based on estimates and assumptions of future events. Financial assets are fair valued every six months using valuation methodology as described in Note 5. Where valuation methodology (for example, discounted cash flow models) is used to determine fair values, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range. Models use observable data, to the extent practicable. Changes in assumptions could materially affect the reported fair value of financial assets.

### **Terms and conditions on units**

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Trust Deed, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

## **Note 3 Net (losses)/gains on financial instruments held at fair value through profit or loss**

Net (losses)/gains recognised in relation to financial instruments held at fair value through profit or loss:

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Designated at fair value   | (3,578,759) | 4,355,319   |
| Net (loss)/gain on financial instruments held at fair value through profit or loss | (3,578,759) | 4,355,319   |

## **Note 4 Distributions to unitholders**

The distributions for the year were as follow:

|                       | <b>2018</b> | <b>2017</b> |
|-----------------------|-------------|-------------|
|                       | <b>\$</b>   | <b>\$</b>   |
| Distributions paid    | 2,067,746   | 4,412,457   |
| Distributions payable | -           | 1,869,157   |
|                       | 2,067,746   | 6,281,614   |

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position.

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

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**Note 5 Financial assets held at fair value through profit or loss**

|   | <b>2018</b>       | <b>2017</b>       |
|---|-------------------|-------------------|
|   | <b>\$</b>         | <b>\$</b>         |
| <b>Designated at fair value through profit or loss</b>                  |                   |                   |
| Unlisted investment – GasValpo  | 60,201,664        | 61,424,638        |
| <b>Total financial assets held at fair value through profit or loss</b> | <b>60,201,664</b> | <b>61,424,638</b> |

The carrying value presented above, and as recorded by the custodian, reflects the estimated net proceeds from the GasValpo sale process: (2017 net fair value: \$61,424,638). Given that the recommended valuation is net of all transaction costs, the carrying value represents both the fair market value and net market value. Accordingly, no further realisation costs are required to be applied to the recommended valuation in determining the net market value of the asset (2017: 2% realisation cost provision was applied).

The fair value of the investment in GasValpo in 2017 was determined by an independent expert (PwC), using a discounted cash flow model. The market discount rate calculated and used at 30 June 2017 was 10.75%.

**Note 6 Net assets attributable to unitholders - Liability**

Movements in the number of units and net assets attributable to unitholders during the year are set out below. As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

| <b>2018</b>   | <b>Initial<br/>units</b> | <b>Contributed<br/>unit capital</b> | <b>Retained<br/>earnings</b> | <b>Total</b> |
|---|--------------------------|-------------------------------------|------------------------------|--------------|
|   | <b>(\$)</b>              | <b>(\$)</b>                         | <b>(\$)</b>                  | <b>(\$)</b>  |
| <b>Balance 1 July 2017</b>                                    | 107                      | 18,188,712                          | 43,236,903                   | 61,425,722   |
| Return of Capital   |                          | -                                   | -                            | -            |
| Calls on Capital  |                          | -                                   | -                            | -            |
| Increase/(decrease) in net assets attributable to unitholders |                          | -                                   | (1,219,504)                  | (1,219,504)  |
| <b>Balance 30 June 2018</b>                                   | 107                      | 18,188,712                          | 42,017,399                   | 60,206,218   |

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

**Note 6 Net assets attributable to unitholders - Liability (continued)**

| 2017   | Initial<br>units | Contributed<br>unit capital | Retained<br>earnings | Total      |
|--|------------------|-----------------------------|----------------------|------------|
|  | (\$)             | (\$)                        | (\$)                 | (\$)       |
| <b>Balance 1 July 2016</b>                                       | 107              | 18,188,712                  | 40,273,843           | 58,462,662 |
| Return of Capital  |                  | -                           | -                    | -          |
| Calls on Capital   |                  | -                           | -                    | -          |
| Increase/(decrease) in net assets<br>attributable to unitholders |                  | -                           | 2,963,060            | 2,963,060  |
| <b>Balance 30 June 2017</b>                                      | 107              | 18,188,712                  | 43,236,903           | 61,425,722 |

**Capital risk management**

The Trust considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The Trust receives distributions and pays distributions. All Trust expenses were paid by SAS Trustee on behalf of the Trust during the year.

**Note 7 Related party transactions**

The Trustee of Pisco STC Funds Unit Trust No. 1 is Fidante Partners Services Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

**Key management personnel**

Key management personnel includes persons who were directors of Fidante Partners Services Limited at any time during the financial year and up to the date of the report as follows:

T Bofinger (appointed 1 July 2018)  
A M Collins  
A M Murphy  
I Saines  
A Tobin  
R Willis (resigned 30 June 2018)

**Other key management personnel**

The Trustee is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

**Key management personnel compensation**

No amount is paid by the Trust directly to the directors of the Trustee.

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

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**Note 7 Related party transactions (continued)**

**Key management personnel unitholdings**

At 30 June 2018 no key management personnel held units in the Trust (2017: Nil).

No director has entered into a material contract with the Trust and there were no material contracts involving directors existing at the year end.

There were no contracts involving the Trustee Company and the Trust existing at year end.

**Note 8 Reconciliation of profit to net cash inflow from operating activities**

|  | 2018<br>\$       | 2017<br>\$       |
|--|------------------|------------------|
| Net profit attributable to unitholders           | 848,242          | 9,244,674        |
| Change in the fair value of financial assets     | 3,578,759        | (4,355,319)      |
| Foreign exchange (gains)/losses                  | (2,357,003)      | 1,392,472        |
| Net change in other assets and liabilities       |                  | (1,869,157)      |
| <b>Net cash inflow from operating activities</b> | <b>2,069,998</b> | <b>4,412,670</b> |

**Note 9 Events occurring after the reporting period**

Since the reporting date, financial completion was reached for the sale of all the shares in GasValpo SpA by GasValpo Chile Holding Limitada and GasValpo Cayman Holding Trust (together the "GasValpo Selling Group") to a consortium comprising Marubeni Corporation and Toesca Asset Management ("Marubeni Consortium") on 24 July 2018.

This followed the signing of the Share Sale Agreement on 27 April 2018 and the subsequent approval of the transaction by the Chilean regulatory authority on 4 July 2018, with no conditions or undertakings required. The GasValpo Selling Group shareholders have commenced the wind-up process of the GasValpo SpA holding structure that will include the distribution of the net proceeds and final dissolution.

No other significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2018 or on the results and cash flows of the Trust for the year ended on that date.

**Note 10 Commitments, contingent assets and contingent liabilities**

At 30 June 2018 there were no material commitments for capital expenditure, lease hire expenditure, nor any other type of expenditure not included in the accounts, nor were there any contingent liabilities or contingent assets.

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15. Page 15

**Note 11 Trust details**

The registered office of the Trust is:

C/- Fidante Partners Services Limited  
Level 2  
5 Martin Place  
Sydney NSW 2000

**Directors' declaration**

In accordance with the resolution of the directors of Fidante Partners Services Limited, I state that:

In the opinion of the directors:

- (a) the Trust is not a reporting entity as defined in the Australian Accounting Standards;
- (b) the financial statements and notes set out on pages 4 to 15:
  - (i) give a true and fair view of the Trust's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
  - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2 to the financial statements; and
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board of Fidante Partners Services Limited

  
Director

Sydney  
12 September 2018

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

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# **Pisco STC Funds Unit Trust No.2**

**Special Purpose Financial Report – 30 June 2018**



# **Pisco STC Funds Unit Trust No.2**

## **Special Purpose Financial Report - 30 June 2018**

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These financial statements cover Pisco STC Funds Unit Trust No.2 as an individual entity.

The Trustee of Pisco STC Funds Unit Trust No.2 is Fidante Partners Services Limited (ABN 44 119 605 373).

The Trustee's registered office is:  
Level 2, 5 Martin Place  
SYDNEY NSW 2000

### **Directors' Report**

The directors of the Trustee Company, Fidante Partners Services Limited (the "Trustee"), present their report together with the special purpose financial report of Pisco STC Funds Unit Trust No.2 (the "Trust") for the year ended 30 June 2018.

### **Directors**

The following persons held office as directors of Fidante Partners Services Limited during the year or since the end of the year and up to the date of this report:

T Bofinger (appointed 1 July 2018)  
A M Collins  
A M Murphy  
I Saines  
A Tobin  
R Willis (resigned 30 June 2018)

### **Principal activities**

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust Deed, being a 13.9% interest in the Challenger Limited and Mitsui Emerging Markets Infrastructure Fund (EMIF).

There were no significant changes in the nature of the Trust's activities during the year.

### **Review and results of operations**

The performance of the Trust, as represented by the results of its operations, was as follows:

|                                | <b>2018</b> | <b>2017</b> |
|--------------------------------|-------------|-------------|
|                                | <b>\$</b>   | <b>\$</b>   |
| Net operating profit/(loss)    | 1,641,975   | 2,212,854   |
| Distributions paid and payable | 1,906,358   | 3,097,945   |

There was a return of capital from EMIF in 2018 of \$189,792 (2017: \$336,257) paid to its unitholder. There were capital calls of \$425,055 to EMIF in 2018 (2017: \$359,577).

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

In the opinion of the directors there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

### **Matters subsequent to the end of the financial year**

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Trustee of the Trust, to affect significantly:

- the operations of the Trust in future financial years;
- the results of those operations in future financial years; and
- the state of affairs of the Trust in future financial years.



### Likely developments

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Deed.

### Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Services Limited. So long as the officers of Fidante Partners Services Limited act in accordance with the Trust Deed and the Corporations Act 2001, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

### Fees paid to and interests held in the Trust by the Trustee

There were no fees paid to the Trustee and its associates out of the Trust's property during the period.

The Trustee held no units in the Trust at year end.

### Interests in the Trust

The Trust is a closed fund with 24,126,039 (2017: 24,126,039) units on issue.

| Value of net assets                  | 2018<br>\$ | 2017<br>\$ |
|--------------------------------------|------------|------------|
| Value of Trust net assets at 30 June | 23,581,662 | 23,610,782 |

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

### Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

### Options

No options have been granted to any person in relation to any units in the Trust.

Signed in accordance with a resolution of directors:

  
Director

Sydney  
12 September 2018

**Pisco STC Funds Unit Trust No.2**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2018**

**Statement of comprehensive income**

|   | Note | 2018<br>\$       | 2017<br>\$       |
|---|------|------------------|------------------|
| <b>Income</b>   |      |                  |                  |
| Distribution received   |      | 1,768,674        | 2,972,153        |
| Interest received   |      | 427              | 156              |
| Management fee rebate   |      | 145,621          | 263,476          |
| Foreign currency gain   |      | 911,720          | -                |
| <b>Total income</b>   |      | <b>2,826,442</b> | <b>3,235,785</b> |
| <b>Expenses</b>   |      |                  |                  |
| Net losses on financial instruments held at fair value through profit or loss | 3    | 1,184,467        | 1,022,931        |
| <b>Total expenses</b>   |      | <b>1,184,467</b> | <b>1,022,931</b> |
| <b>Profit/(loss) before finance costs</b>                                     |      | <b>1,641,975</b> | <b>2,212,854</b> |
| <b>Finance costs attributable to unitholders</b>                              |      |                  |                  |
| Distributions to unitholders  | 4    | (1,906,358)      | (3,097,945)      |
| (Increase)/decrease in net assets attributable to unitholders                 | 6    | 264,383          | 885,091          |
| <b>Other comprehensive income</b>   |      | -                | -                |
| <b>Total comprehensive income for the year</b>                                |      | -                | -                |

The statement of comprehensive income is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

**Pisco STC Funds Unit Trust No.2**  
**Statement of Financial Position**  
**As at 30 June 2018**

**Statement of financial position**

|   | Note | 2018<br>\$ | 2017<br>\$ |
|---|------|------------|------------|
| <b>Current assets</b>   |      |            |            |
| Cash and cash equivalents   |      | 146,575    | 140,806    |
| Management fee rebate receivable  |      | 145,621    | 137,684    |
| <b>Total current assets</b>   |      | 292,196    | 278,490    |
| <b>Non-current assets</b>   |      |            |            |
| Financial assets held at fair value through profit or loss                  | 5    | 23,289,466 | 23,332,292 |
| <b>Total non-current assets</b>   |      | 23,289,466 | 23,332,292 |
| <b>Total assets</b>   |      | 23,581,662 | 23,610,782 |
| <b>Current liabilities</b>  |      | -          | -          |
| <b>Total current liabilities</b>  |      | -          | -          |
| <b>Non-current liabilities</b>  |      | -          | -          |
| <b>Total non-current liabilities</b>  |      | -          | -          |
| <b>Total liabilities (excluding net assets attributable to unitholders)</b> |      | -          | -          |
| <b>Net assets attributable to unitholders - liability</b>                   | 6    | 23,581,662 | 23,610,782 |

The statement of financial position is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

**Pisco STC Funds Unit Trust No.2**  
**Statement of Changes in Unitholder Funds**  
**For the year ended 30 June 2018**

**Statement of changes in unitholder funds**

|  | Note     | 2018<br>\$        | 2017<br>\$        |
|--|----------|-------------------|-------------------|
| <b>At 1 July - Opening Balance - Liability</b>   |          | <b>23,610,782</b> | <b>24,472,553</b> |
| Change in net assets attributable to unitholders |          | (264,383)         | (885,091)         |
| Calls of capital                                 |          | 425,055           | 359,577           |
| Return of capital                                |          | (189,792)         | (336,257)         |
| <b>At 30 June - Closing Balance - Liability</b>  | <b>6</b> | <b>23,581,662</b> | <b>23,610,782</b> |

The statement of changes in unitholder funds is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

**Pisco STC Funds Unit Trust No.2**  
**Statement of Cash Flows**  
**For the year ended 30 June 2018**

**Statement of cash flows**

|  | Note     | 2018<br>\$            | 2017<br>\$            |
|--|----------|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>                          |          |                       |                       |
| Distributions received   |          | 1,768,674             | 2,972,153             |
| Interest received  |          | 427                   | 156                   |
| Management fee rebate  |          | 137,684               | 125,792               |
| Net cash provided by operating activities                            | <b>9</b> | <u>1,906,785</u>      | <u>3,098,101</u>      |
| <b>Cash flows by investing activities</b>                            |          |                       |                       |
| Calls on capital   |          | (425,055)             | (359,577)             |
| Purchase of additional units   |          | -                     | -                     |
| Return of capital  |          | 189,792               | 336,257               |
| Net cash provided by investing activities                            |          | <u>(235,263)</u>      | <u>(23,320)</u>       |
| <b>Cash flows from financing activities</b>                          |          |                       |                       |
| Distributions to unitholders   |          | (1,906,358)           | (3,097,945)           |
| Capital calls  |          | 425,055               | 359,577               |
| Capital repayment to unitholders                                     |          | (189,792)             | (336,257)             |
| Net cash provided by financing activities                            |          | <u>(1,671,095)</u>    | <u>(3,074,625)</u>    |
| <b>Effects of exchange rate changes on cash and cash equivalents</b> |          | <u>5,342</u>          | <u>8,858</u>          |
| <b>Net increase/(decrease) in cash held</b>                          |          | <u>5,769</u>          | <u>9,014</u>          |
| <b>Cash at the beginning of the year</b>                             |          | <u>140,806</u>        | <u>131,792</u>        |
| <b>Cash at the end of the year</b>                                   |          | <u><u>146,575</u></u> | <u><u>140,806</u></u> |

The statement of cash flows is to be read in conjunction with the notes to the financial report set out on pages 8 to 15.

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## **Note 1    General information**

These special purpose financial statements cover Pisco STC Funds Unit Trust No.2 ('the Trust') as an individual entity. The Trust is an Australian unregistered scheme. The Trust will terminate in accordance with the provisions of the Trust Deed.

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. With its introduction, the Trustee has not amended the Trust's Constitution to allow the Trust to operate as an AMIT.

SAS Trustee Corporation Pooled Fund is the only unitholder of the Trust. The Trust is a controlled entity of SAS Trustee Corporation Pooled Fund.

The financial statements were authorised for issue by the Directors on 12 September 2018.

The nature of the operating and principal activities of the Trust are described in the directors' report. The Trust is a for profit entity.

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

The directors have determined that the Trust is not a reporting entity and accordingly these financial statements are special purpose financial statements prepared for the sole purpose of distributing financial statements to members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with the requirements of the following accounting standards adopted by the Australian Accounting Standards Board ("AASB").

*AASB 101 Presentation of Financial Statements*

*AASB 107 Statement of Cash Flows*

*AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*

## **Basis of preparation**

The financial report is presented in Australian dollars.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preparation of a financial report in conformity with Australian Standards requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied.

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

### **Financial Instruments**

#### **Classification**

The Trust's investments are classified as at fair value through profit or loss. They comprise financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in unlisted investment vehicles.

#### **Recognition/derecognition**

Financial Instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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

#### **Measurement**

##### ***Financial assets and liabilities held at fair value through profit or loss***

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and with the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categories as held for trading unless they are designed as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

##### ***Fair value in an inactive or unquoted market***

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of discounted cash flow models and recent comparable market transactions, or any other valuation methodology that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow methodology is used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the reporting date. For other pricing models, inputs are based on market data at the end of the reporting period. Where valuations are used to determine the fair value, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range.

The fair value of the financial assets are measured net of disposal costs.

##### ***Offsetting financial instruments***

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



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

**Net assets attributable to unitholders**

Units are redeemable at the unitholders' option and are classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholder exercised their right to redeem units in the Trust.

Units are classified as equity when they satisfy the following criteria under *AASB 132 Financial instruments: Presentation*:

- \* the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Trust's liquidation;
- \* the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- \* the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trust, and it is not a contract settled in the Trust's own equity instruments; and
- \* the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss and cannot be guaranteed.

Net assets attributable to unitholders are classified as a financial liability as they did not satisfy all the above criteria.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Payments and receipts relating to the purchase and sale of investment interests designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these interests represent the Trust's investment activity.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

**Financial liabilities**

Non-derivative financial liabilities are reflected at fair value. Realised and unrealised gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise.

**Impairment**

At each reporting date, the trust assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.



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

### **Investment income**

Dividend income is recognised on the ex-dividend date when the right to receive payment is established with any related foreign withholding tax recorded as an expense.

### **Income tax**

Under current legislation, the Trust is not subject to income tax as unitholders are presently entitled to the income of the Trust.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

### **Distributions**

In accordance with the Trust Deed, the Trust distributes income adjusted for amounts determined by the Trustee, to unitholders by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### **Change in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

### **Receivables**

Receivables may include amounts for dividends, and are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

### **Payables**

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position from when the right for unitholders to receive payment is established.

### **Foreign currency**

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the reporting date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non-monetary items measured at fair value in a foreign currency shall be translated to Australian dollars using the exchange rates ruling at the date when the fair value was determined.

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

### **Use of estimates**

The Trust holds financial assets which are determined based on estimates and assumptions of future events. Financial assets are fair valued every six months using valuation methodology as described in Note 5. Where valuation methodology (for example, discounted cash flow models) is used to determine fair values, the valuation range is determined by an independent expert. The directors determine the fair value to adopt within this range. Models use observable data, to the extent practicable. Changes in assumptions could materially affect the reported fair value of financial assets

### **Terms and conditions on units**

Each unit issued confers upon the unitholder an equal interest in the Trust, and is of equal value per class. A unit does not confer any interest in any particular asset or investment of the Trust. Unitholders have various rights under the Trust Deed, including the right to:

- have their units redeemed;
- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Trust.

The rights, obligations and restrictions attached to each unit are identical in all respects.

## **Note 3 Net losses on financial instruments held at fair value through profit or loss**

Net losses recognised in relation to financial instruments held at fair value through profit or loss:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Designated at fair value  | (1,184,467) | (1,022,931) |
| Net loss on financial instruments held at fair value through profit or loss | (1,184,467) | (1,022,931) |

## **Note 4 Distributions to unitholders**

The distributions for the year were as follows:

|                    | <b>2018</b> | <b>2017</b> |
|--------------------|-------------|-------------|
|                    | <b>\$</b>   | <b>\$</b>   |
| Distributions paid | 1,906,358   | 3,097,945   |

## **Note 5 Financial assets held at fair value through profit or loss**

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Designated at fair value through profit or loss                  |             |             |
| Unlisted investment – EMIF                                       | 23,289,466  | 23,332,292  |
| Total financial assets held at fair value through profit or loss | 23,289,466  | 23,332,292  |

**Note 5 Financial assets held at fair value through profit or loss (continued)**

The carrying value presented above, and as recorded by the custodian, reflects the net fair market value of the investment in EMIF, post realisation costs.

The fair value has been determined using the Manager's valuation of EMIF's underlying assets.

**Note 6 Net assets attributable to unitholders - Liability**

Movements in the number of units and net assets attributable to unitholders during the year are set out below. As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

| 2018   | Initial<br>units | Contributed<br>unit capital | Retained<br>earnings | Total      |
|--|------------------|-----------------------------|----------------------|------------|
|  | (\$)             | (\$)                        | (\$)                 | (\$)       |
| <b>Balance 1 July 2017</b>                                       | 106              | 24,047,158                  | (436,482)            | 23,610,782 |
| Return of capital  | -                | (189,792)                   | -                    | (189,792)  |
| Calls on capital   | -                | 425,055                     | -                    | 425,055    |
| Increase/(decrease) in net assets<br>attributable to unitholders | -                | -                           | (264,383)            | (264,383)  |
| <b>Balance 30 June 2018</b>                                      | 106              | 24,282,421                  | (700,865)            | 23,581,662 |

| 2017   | Initial<br>units | Contributed<br>unit capital | Retained<br>earnings | Total      |
|--|------------------|-----------------------------|----------------------|------------|
|  | (\$)             | (\$)                        | (\$)                 | (\$)       |
| <b>Balance 1 July 2016</b>                                       | 106              | 24,023,838                  | 448,609              | 24,472,553 |
| Return of capital  | -                | (336,257)                   | -                    | (336,257)  |
| Calls on capital   | -                | 359,577                     | -                    | 359,577    |
| Increase/(decrease) in net assets<br>attributable to unitholders | -                | -                           | (885,091)            | (885,091)  |
| <b>Balance 30 June 2017</b>                                      | 106              | 24,047,158                  | (436,482)            | 23,610,782 |

**Capital risk management**

The Trust considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The Trust receives dividends and pays distributions. All Trust expenses were paid by SAS Trustee on behalf of the Trust during the year.

## **Note 7 Capital commitments**

The total capital commitments to EMIF by the Trust as at 30 June 2018 are US\$38.0m (2017: US\$38.0m), of which US\$19.1m is unpaid as at 30 June 2018 (2017: US\$19.1m).

## **Note 8 Related party transactions**

The Trustee of Pisco STC Funds Unit Trust No.2 is Fidante Partners Services Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

### **Key management personnel**

Key management personnel includes persons who were directors of Fidante Partners Services Limited at any time during the financial year and up to the date of the report as follows:

T Bofinger (appointed 1 July 2018)  
A M Collins  
A M Murphy  
I Saines  
A Tobin  
R Willis (resigned 30 June 2018)

### **Other key management personnel**

The Trustee is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

### **Key management personnel compensation**

No amount is paid by the Trust directly to the directors of the Trustee.

### **Key management personnel unitholdings**

At 30 June 2018 no key management personnel held units in the Trust (2017: Nil).

No director has entered into a material contract with the Trust and there were no material contracts involving directors existing at the year end.

There were no contracts involving the Trustee Company and the Trust existing at year end.

## **Note 9 Reconciliation of profit to net cash inflow from operating activities**

|  | 2018<br>\$       | 2017<br>\$       |
|--|------------------|------------------|
| Net profit attributable to unitholders           | 1,641,975        | 2,212,854        |
| Change in the fair value of financial assets     | 1,184,467        | 451,278          |
| Foreign exchange (gains)/losses                  | (911,720)        | 571,653          |
| Net change in other assets                       | (7,937)          | (137,684)        |
| <b>Net cash inflow from operating activities</b> | <b>1,906,785</b> | <b>3,098,101</b> |

**Note 10 Events occurring after the reporting period**

Since the reporting date, financial completion was reached for the sale of all the shares in EMIF's investment in GasValpo SpA by GasValpo Chile Holding Limitada and GasValpo Cayman Holding Trust (together the "GasValpo Selling Group") on 24 July 2018. This followed the signing of the Share Sale Agreement on 27 April 2018 and the subsequent approval of the transaction by the Chilean regulatory authority on 4 July 2018, with no conditions or undertakings required.

No other significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2018 or on the results and cash flows of the Trust for the year ended on that date.

**Note 11 Commitments, contingent assets and contingent liabilities**

At 30 June 2018 there were no material commitments for capital expenditure, lease hire expenditure, nor any other type of expenditure not included in the accounts, nor were there any contingent liabilities or contingent assets.

**Note 12 Trust details**

The registered office of the Trust is:

C/- Fidante Partners Services Limited  
Level 2,  
5 Martin Place  
Sydney NSW 2000

**Directors' declaration**


In accordance with the resolution of the directors of Fidante Partners Services Limited, I state that:

In the opinion of the directors:

- (a) the Trust is not a reporting entity as defined in the Australian Accounting Standards;
- (b) the financial statements and notes set out on pages 4 to 15:
  - (i) give a true and fair view of the Trust's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
  - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2 to the financial statements; and
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board of Fidante Partners Services Limited

  
Director

Sydney  
12 September 2018

# **Project Cricket State Super Unit Trust**

**ABN 20 175 773 646**

**Financial Statements  
For the year ended 30 June 2018**

**Project Cricket State Super Unit Trust**  
**Annual Special Purpose Financial Statements**  
**For The Year Ended 30 June 2018**

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**Project Cricket State Super Unit Trust**  
**Statement of Comprehensive Income**  
For The Year Ended 30 June 2018

|  | Notes | 2018<br>\$000   | 2017<br>\$000   |
|--|-------|-----------------|-----------------|
| <b>Revenue</b>   |       |                 |                 |
| Interest income  | 4     | 884             | 899             |
| Dividend income  |       | 6,941           | 6,177           |
| Unrealised gain/(loss) - securities                            |       | 10,004          | 12,630          |
| <b>Total income/(loss)</b>                                     |       | <b>17,829</b>   | <b>19,706</b>   |
| <b>Expenses</b>  |       |                 |                 |
| Tax fees   |       | 4               | 4               |
| <b>Total operating expenses</b>                                |       | <b>4</b>        | <b>4</b>        |
| <b>Profit before finance costs attributable to unitholders</b> |       | <b>17,825</b>   | <b>19,702</b>   |
| <b>Finance costs</b>   |       |                 |                 |
| Distributions to unitholders                                   | 5     | (7,821)         | (7,072)         |
| (Increase)/decrease in net assets attributable to unitholders  |       | (10,004)        | (12,630)        |
| <b>Total finance costs attributable unitholders</b>            |       | <b>(17,825)</b> | <b>(19,702)</b> |
| <b>Profit for the year</b>                                     |       | <b>-</b>        | <b>-</b>        |
| Other comprehensive income for the period                      |       | -               | -               |
| <b>Total comprehensive income attributable to unitholders</b>  |       | <b>-</b>        | <b>-</b>        |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes on pages 7-10.

**Project Cricket State Super Unit Trust**  
**Statement of Changes in Equity**  
**For The Year Ended 30 June 2018**

Under Australian Accounting Standards, net assets attributable to unitholders are classified as liabilities rather than equity. As a result there was no equity at the start or end of the reporting period.

Changes in net assets attributable to unitholders are disclosed in the notes to the financial statements (note 8).

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 7-10.

**Project Cricket State Super Unit Trust**  
**Statement of Financial Position**  
**For The Year Ended 30 June 2018**

|   | Notes | 2018<br>\$000  | 2017<br>\$000  |
|---|-------|----------------|----------------|
| <b>Assets</b>   |       |                |                |
| Cash and cash equivalents                               | 6     | 2,832          | 3,521          |
| Income receivable                                       |       | 220            | 220            |
| Unlisted securities - Queensland Airports               | 3c    | 198,969        | 188,966        |
| <b>Total assets</b>                                     |       | <b>202,021</b> | <b>192,707</b> |
| <b>Liabilities</b>                                      |       |                |                |
| Payables  | 7     | 3,161          | 3,851          |
| <b>Total liabilities</b>                                |       | <b>3,161</b>   | <b>3,851</b>   |
| <b>Net assets attributable to unitholders</b>           |       | <b>198,860</b> | <b>188,856</b> |
| <b>Represented by:</b>                                  |       |                |                |
| Issued units  | 8a    | 279,517        | 279,517        |
| Undistributed profit/(loss) attributable to unitholders | 8c    | (80,657)       | (90,661)       |
| <b>Net assets attributable to unitholders</b>           |       | <b>198,860</b> | <b>188,856</b> |

The above Statement of Financial Position should be read in conjunction with the accompanying notes on pages 7-10.

**Project Cricket State Super Unit Trust**  
**Statement of Cashflows**  
For The Year Ended 30 June 2018

|  | Notes    | 2018<br>\$000  | 2017<br>\$000  |
|--|----------|----------------|----------------|
| <b>Cash flows from operating activities</b>                      |          |                |                |
| Cash was provided from:  |          |                |                |
| Dividends received   |          | 6,941          | 6,177          |
| Interest received  |          | 884            | 900            |
| <b>Net cash inflow from operating activities</b>                 | <b>6</b> | <b>7,825</b>   | <b>7,077</b>   |
| <b>Cash flows from financing activities</b>                      |          |                |                |
| Cash was disbursed to:   |          |                |                |
| Distributions paid to unitholders                                |          | (8,514)        | (9,816)        |
| <b>Net cash outflow from financing activities</b>                |          | <b>(8,514)</b> | <b>(9,816)</b> |
| Net decrease in cash and cash equivalents                        |          | (689)          | (2,739)        |
| Cash and cash equivalents at the beginning of the financial year |          | 3,521          | 6,260          |
| <b>Cash at end of the period</b>                                 |          | <b>2,832</b>   | <b>3,521</b>   |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 7-10.

## NOTES TO THE FINANCIAL STATEMENTS

### For The Year Ended 30 June 2018

#### 1 Reporting entity

These special purpose financial statements cover Project Cricket State Super Unit Trust ("the Trust") as an individual entity. The Trust was established on 19 October 2007 under the Trust Deed.

The Trustee of the Trust is STC Funds Nominee Ltd ("the Trustee"). The Trustee's registered office is Governor Phillip Tower Level 16, 83 Clarence, Sydney, NSW 2000.

The special purpose financial statements of the Trust are as at and for the year ended 30 June 2018.

The principal activity of the Trust during the year was to invest in Queensland Airports Limited and QAL International Holdings Trust. There was no change in the principal activity of the Trust during the year.

The financial statements were authorised for issue by the directors on the date the Trustee's declaration was signed. The directors of the Trustee have the power to amend and reissue the financial statements.

As at 30 June 2018, the Trust had nil employees (2017 - nil employees).

#### 2 Basis of preparation

##### (a) Statement of compliance

In the Trustee's opinion, the Trust is not a reporting entity because there are no users of the financial statements who are unable to command the preparation of general purpose financial statements or any other financial statements tailored so as to satisfy specifically all of their information needs have been identified. Accordingly, these special purpose financial statements have been prepared to satisfy the Trustee's reporting requirements under the Trust Deed.

The Trust is a for-profit entity for the purposes of preparing the financial statements.

The special purpose financial statements have been prepared in accordance with the requirements and the recognition, measurement and classification aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and application of each relevant Australian interpretation.

The financial report does not include the disclosure requirements of all AASBs except for the following AASBs:

- AASB 101 Presentation of Financial Statements (for for-profit entities)
- AASB 107 Statement of Cash Flows (for for-profit entities)
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1048 Interpretation of Standards
- AASB 1054 Australian Additional Disclosures

##### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of Unlisted Securities that are carried at fair value through profit or loss.

##### (c) Functional and presentation currency

The financial statements are presented in Australian dollars which is also the Trust's functional currency, rounded to the nearest thousand dollars.

##### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

In applying accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations about future events that may have an impact on the Trust. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. The most significant balance subject to estimate is the value of Unlisted securities (note 3c), Queensland Airport's fair value is obtained by an independent valuation.

##### (e) Comparative information

Prior year comparatives are based from 1 July 2016 to 30 June 2017.

#### 3 Significant accounting policies

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

##### (a) Cash & cash equivalents

Cash & cash equivalents include cash on hand and call deposits with an original maturity of three months or less.

##### (b) Receivables

Receivables are initially recognised at fair value. Subsequently receivables are measured at amortised cost, less any impairment losses. A provision for impairment is established when there is objective evidence that the Trust will not be able to collect the amount due. The recoverable amount of the receivable is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For The Year Ended 30 June 2018**

**(c) Securities**

Securities are recorded at fair value through profit or loss upon initial recognition. Costs incidental to the acquisition of securities are recognised in the profit or loss when incurred.

Purchases and sales of securities that require delivery within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Trust commits to purchase or sell the securities.

**Unlisted securities**

Unlisted securities comprise ordinary shares/units and shareholder loans in an unlisted company; and ordinary units in an unregistered unit trust.

Unrealised gains or losses on unlisted equity securities are recognised through profit or loss and represent:

- Movements in the fair value of unlisted equity securities which are held as at the end of the reporting period.
- Unrealised gains or losses on unlisted equity securities which are held as at the end of the period calculated as the difference between the fair value at the end of current reporting period end and the fair value at the end of previous reporting period or the date the unlisted equity securities are acquired.
- Reversal of any life to date unrealised gains or losses as at the previous reporting period in connection with any unlisted equity securities that have been sold, restructured, settled or terminated in the current reporting period.
- Realised gains or losses on unlisted equity securities are recognised through profit or loss upon the sale, restructure, settlement or termination of unlisted equity securities and are calculated as the difference between the settlement amount and the fair value upon initial recognition.
- Realised gains or losses on unlisted equity securities are recognised through profit or loss upon the sale, restructure, settlement or termination of unlisted equity securities and are calculated as the difference between the settlement amount and the fair value upon initial recognition.

**Valuation of Unlisted securities**

The fair value of unlisted securities is determined by appropriately qualified independent valuer Ernst & Young (2017 - Ernst & Young), primarily by reviewing the future cash flows projected by each asset's management team and then discounting 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 trustee has adopted the EY valuations as at 30 June 2018.

The fair value of unlisted securities held as at 30 June 2018 was \$198,969,000 (2017 - \$188,966,000).

**(d) Dividends and Interest income**

Dividends are recognised when declared. Interest income is recognised on an accruals basis.

**(e) Expenses**

All expenses incurred are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

**(f) Income tax**

Under current tax legislation, unit trusts are not liable for income tax, provided taxable income and taxable capital gains are fully distributed to unitholders each year. The unit trusts fully distribute taxable income in accordance with the Trust Deed. Tax losses and realised capital losses are not distributed to unitholders but are carried forward in the unit trusts to be offset against future taxable income and capital gains of the unit trusts.

**(g) Increase/decrease in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in Statement of Comprehensive Income as finance costs.

**(h) Distributions to unitholders**

In accordance with the Trust Deed, the Trust distributes its distributable (taxable) income, and any other amounts determined by the Trustee, to unitholders by cash, issue of additional units or by a transfer of assets. The distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

**(i) New standards and interpretations not yet adopted**

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the current period and have not been early adopted. The effect of these standards with regard to the financial statements of the Trust is currently being assessed and it is not expected to result in a material change.

- AASB 15 Revenue from Contracts with Customers effective for annual periods beginning on or after 1 January 2018
- AASB 9 Financial Instruments effective for annual periods beginning on or after 1 January 2018.

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



**NOTES TO THE FINANCIAL STATEMENTS**  
For The Year Ended 30 June 2018

|                              |              |              |
|------------------------------|--------------|--------------|
| <b>4 Interest income</b>     | <b>2018</b>  | <b>2017</b>  |
|                              | <b>\$000</b> | <b>\$000</b> |
| Cash and cash equivalents    | 3            | 18           |
| Unlisted securities          | 881          | 881          |
| <b>Total interest income</b> | <b>884</b>   | <b>899</b>   |

|   |              |              |
|---|--------------|--------------|
| <b>5 Distributions to unitholders</b>     | <b>2018</b>  | <b>2017</b>  |
|   | <b>\$000</b> | <b>\$000</b> |
| Distributions to unitholders              | 7,821        | 7,072        |
| <b>Total distributions to unitholders</b> | <b>7,821</b> | <b>7,072</b> |

During the year ended 30 June 2018, the following distributions were declared and paid:

- an interim distribution of \$108,000 (\$.7512 per unit) was declared at 30 November 2017 and paid on 12 December 2017; and
- an interim distribution of \$4,338,000 (\$30.1713 per unit) was declared at 31 December 2017 and paid on 17 January 2018; and
- an interim distribution of \$222,000 (\$1.5446 per unit) was declared at 28 February 2018 and paid on 9 March 2018; and
- a final distribution of \$3,153,000 (\$21.9263 per unit) was declared at 30 June 2018. A partial payment of \$2,830,000 (\$24.3419 per unit) was paid on 7 August 2018.

During the year ended 30 June 2017, the following distributions were declared:

- an interim distribution of \$3,266,000 (\$22.4363 per unit) was declared at 31 March 2017 and paid on 13 April 2017; and
- a final distribution of \$3,846,000 (\$26.7482 per unit) was declared at 30 June 2017. A partial payment of \$3,500,000 (\$24.3419 per unit) was paid on 17 July 2017. The final payment of this distribution was paid on 12 December 2017

**6 Cash and cash equivalents**

Reconciliation of operating profit/loss before finance costs attributable to unitholders to net cash inflow/(outflow) from operating activities

|  |              |              |
|--|--------------|--------------|
|  | <b>2018</b>  | <b>2017</b>  |
|  | <b>\$000</b> | <b>\$000</b> |
| Operating profit/(loss) before finance costs attributable to unitholders | 17,825       | 19,702       |
| <b>Non cash operating items</b>  |              |              |
| Unrealised gain/(loss) - securities                                      | (10,004)     | (12,630)     |
| <b>Change in working capital items</b>                                   |              |              |
| Increase/(decrease) in payables  | 4            | 5            |
| <b>Net cash inflow/(outflow) from operating activities</b>               | <b>7,825</b> | <b>7,077</b> |

|  |              |              |
|--|--------------|--------------|
| <b>Cash and cash equivalents</b>       | <b>2018</b>  | <b>2017</b>  |
|  | <b>\$000</b> | <b>\$000</b> |
| Cash at bank                           | 2,832        | 3,521        |
| <b>Total cash and cash equivalents</b> | <b>2,832</b> | <b>3,521</b> |

|                       |              |              |
|-----------------------|--------------|--------------|
| <b>7 Payables</b>     | <b>2018</b>  | <b>2017</b>  |
|                       | <b>\$000</b> | <b>\$000</b> |
| Distribution payable  | 3,152        | 3,846        |
| Accrued expenses      | 9            | 5            |
| <b>Total payables</b> | <b>3,161</b> | <b>3,851</b> |

**8 Net assets attributable to unitholders**

|                         |              |              |
|-------------------------|--------------|--------------|
| <b>(a) Issued units</b> | <b>2018</b>  | <b>2017</b>  |
|                         | <b>\$000</b> | <b>\$000</b> |
| Opening balance         | 279,517      | 279,517      |
| Closing balance         | 279,517      | 279,517      |

The number of ordinary units issued as at 30 June 2018 was 143,785. 30 June 2017: 143,785.

**(b) Terms and conditions**

Each issued unit confers upon the unitholder an equal interest in the Trust and is of equal value. A unit does not confer any interest in any particular asset or investment held by the Trust. Unitholders have various rights under the Trust Deed, including the right to:

- receive income distributions
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Scheme

The rights, obligations and restrictions attached to each unit are identical in all respects.

**NOTES TO THE FINANCIAL STATEMENTS**  
For The Year Ended 30 June 2018

**8 Net assets attributable to unitholders (cont.)**

**(c) Distributable profit/(loss) attributable to unitholders**

|   | <b>2018</b><br><b>\$000</b> | <b>2017</b><br><b>\$000</b> |
|---|-----------------------------|-----------------------------|
| Opening balance   | (90,661)                    | (103,291)                   |
| Operating profit/(loss) after income tax and before finance costs attributable to unitholders | 17,825                      | 19,702                      |
| Distributions declared  | (7,821)                     | (7,072)                     |
| <b>Closing balance</b>  | <b>(80,657)</b>             | <b>(90,661)</b>             |

**9 Contingent liabilities and commitments**

The Trust has no contingent liabilities or commitments.

**10 Events occurring after balance sheet date**

Of the final distribution of \$3,153,000 (\$21.9263 per unit) declared at 30 June 2018, a partial payment of \$2,830,000 (\$24.3419 per unit) was paid on 7 August 2018.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the Statement of Financial Position as at 30 June 2018 or on the results and cash flows of the Trust for the reporting period ended on that date.



**TRUSTEES DECLARATION**  
**For The Year Ended 30 June 2018**

As stated in Note 2(a) to the financial statements, in the director's opinion, the Trust is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements that have been prepared to meet the Trust Deed requirements.

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 3-10 are in accordance with the Trust Deed, including:
- i) complying with Australian Accounting Standards (including interpretations) and other mandatory professional reporting requirements to the extent described in Note 2a); and
  - ii) giving a true and fair view of the Trust's financial position as at 30 June 2018 and of its performance for the financial year on that date, and
- (b) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This Statement is made in accordance with a resolution of the directors of the trustee company, STC Funds Nominee Pty Ltd.

Director



**SOUTHERN WAY UNIT TRUST**  
**SPECIAL PURPOSE FINANCIAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**AMP Capital Investors Limited**  
**33 Alfred Street,**  
**Sydney, NSW 2000**  
**ACN 001 777 591**

## SOUTHERN WAY UNIT TRUST

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**SOUTHERN WAY UNIT TRUST**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

|  | 30 June 2018      | 30 June 2017      |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>INVESTMENT INCOME</b>   |                   |                   |
| Dividends  | 672,532           | 889,128           |
| Distributions  | 13,047,574        | 15,843,101        |
| Interest income  | 6,434             | 6,034             |
| Net changes in the fair value of financial instruments measured at fair value through profit or loss | (963,524)         | 1,590,118         |
| <b>Total investment income/(loss)</b>  | <u>12,763,016</u> | <u>18,328,381</u> |
| <b>EXPENSES</b>  |                   |                   |
| <b>Total expenses</b>  | <u>-</u>          | <u>-</u>          |
| <b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS BEFORE FINANCE COSTS</b>                            | 12,763,016        | 18,328,381        |
| <b>Finance costs attributable to unitholders</b>   |                   |                   |
| Distributions to unitholders   | (13,726,353)      | (16,739,250)      |
| (Increase)/decrease in net assets attributable to unitholders  | 963,337           | (1,589,131)       |
| <b>NET PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS AFTER FINANCE COSTS</b>                             | <u>-</u>          | <u>-</u>          |
| Other comprehensive income   | <u>-</u>          | <u>-</u>          |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>   | <u><u>-</u></u>   | <u><u>-</u></u>   |

**SOUTHERN WAY UNIT TRUST**

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

|  | Notes | 30 June 2018<br>\$        | 30 June 2017<br>\$        |
|--|-------|---------------------------|---------------------------|
| <b>ASSETS</b>  |       |                           |                           |
| Cash and cash equivalents  |       | 5,977                     | 5,785                     |
| Receivables  | 2     | -                         | 5                         |
| Financial assets measured at fair value through profit or loss                         |       |                           |                           |
| Unlisted equity securities and managed investment funds                                |       | <u>128,699,613</u>        | <u>129,663,137</u>        |
| <b>TOTAL ASSETS</b>  |       | <u><u>128,705,590</u></u> | <u><u>129,668,927</u></u> |
| <b>LIABILITIES</b>   |       |                           |                           |
| <b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY*</b> |       | <u>-</u>                  | <u>-</u>                  |
| <b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - EQUITY*</b>                                |       | <u><u>128,705,590</u></u> | <u><u>-</u></u>           |
| <b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY*</b>                             |       | <u><u>-</u></u>           | <u><u>129,668,927</u></u> |

\*Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Refer to Note 1(b) for further details.

**SOUTHERN WAY UNIT TRUST**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

|  | 30 June 2018       | 30 June 2017 |
|--|--------------------|--------------|
|  | \$                 | \$           |
| Balance at the beginning of the financial year - Equity  | -                  | -            |
| Reclassification of net assets attributable to unitholders from liabilities to equity - transfer in* | 128,705,590        | -            |
| <b>Balance at the end of the financial year - Equity*</b>  | <u>128,705,590</u> | <u>-</u>     |

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - LIABILITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

|   |                      |                    |
|---|----------------------|--------------------|
| Balance at the beginning of the financial year - Liability  | <u>129,668,927</u>   | <u>128,079,796</u> |
|   | 129,668,927          | 128,079,796        |
| Increase/(decrease) in net assets attributable to unitholders   | <u>(963,337)</u>     | <u>1,589,131</u>   |
| Reclassification of net assets attributable to unitholders from liabilities to equity - transfer out* | <u>(128,705,590)</u> | <u>-</u>           |
| <b>Balance at the end of the financial year - Liability*</b>  | <u>-</u>             | <u>129,668,927</u> |

\*Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Refer to Note 1(b) for further details.

**SOUTHERN WAY UNIT TRUST**

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

|   | Notes | 30 June 2018<br>\$  | 30 June 2017<br>\$  |
|---|-------|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |       |                     |                     |
| Dividends received  |       | 672,532             | 889,128             |
| Distributions received  |       | 13,047,574          | 15,843,101          |
| Interest income received  |       | <u>6,439</u>        | <u>6,036</u>        |
| <b>Net cash inflow/(outflow) from operating activities</b>        | 4(a)  | 13,726,545          | 16,738,265          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |       |                     |                     |
| Distributions paid  |       | <u>(13,726,353)</u> | <u>(16,739,250)</u> |
| <b>Net cash inflow/(outflow) from financing activities</b>        |       | (13,726,353)        | (16,739,250)        |
| <b>Net increase/(decrease) in cash and cash equivalents held</b>  |       | 192                 | (985)               |
| Cash and cash equivalents at the beginning of the financial year  |       | <u>5,785</u>        | <u>6,770</u>        |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b> |       | <u><u>5,977</u></u> | <u><u>5,785</u></u> |

## SOUTHERN WAY UNIT TRUST

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

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

##### (a) Trust Information

The Southern Way Unit Trust (the "Trust") is an unregistered unit trust. AMP Capital Investors Limited, the Trustee of the Trust, is incorporated and domiciled in Australia. The registered office of the Trustee is located at 33 Alfred Street, Sydney, NSW 2000.

The Investment Manager of the Trust is AMP Capital Investors Limited, a subsidiary of AMP Limited.

The principal activity of the Trust during the financial year is the investment of unitholders' funds in accordance with the Trust Deed. There has been no significant change in the nature of this activity during the financial year.

##### (b) Basis of Preparation

This special purpose Financial Report has been prepared for distribution to the unitholders to fulfil the financial reporting requirements under the Trust Deed. In the opinion of the Trustee, the Trust is not deemed to be a "reporting entity" because there are no users dependent on a general purpose Financial Report.

The Financial Report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the Trustee to meet the needs of users of the Financial Report. The Financial Report has been prepared on a going concern basis and an accrual basis of accounting including the historical cost convention except for financial assets measured at fair value through profit or loss.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Trust's assets and liabilities are held for the purpose of being traded or are expected to be realised within 12 months, except for assets measured at fair value through profit and loss, for which given the nature of the Trust, a reasonable estimate cannot be made of the amount of the balances that are unlikely to be settled within 12 months.

##### *Reclassification of net assets attributable to unitholders from financial liability to equity*

On 5 May 2016, the Attribution Managed Investment Trust ("AMIT") tax regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. Prior to 30 June 2018 the Trust classified its net assets attributable to unitholders as liabilities in accordance with AASB132 *Financial Instruments: Presentation*. In order to allow the Trust to elect into the AMIT tax regime, the Trust's Constitution has been amended and other conditions required to adopt the AMIT tax regime have also been met effective from 30 June 2018. Adopting the AMIT tax regime removes the Trustee's contractual obligation to distribute trust income to unitholders. Consequently, effective from 30 June 2018, the Trust's net assets attributable to unitholders have been reclassified to equity in accordance with AASB 132 Financial Instruments: Presentation.

##### (c) Financial Assets Measured at Fair Value Through Profit or Loss

Financial instruments have been designated as financial instruments held at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis.

Any realised and unrealised gains and losses arising from subsequent measurement to fair value are recognised in the Statement of Comprehensive Income as 'Net changes in the fair value of financial instruments measured at fair value through profit or loss' in the period in which they arise.

Subsequent to initial recognition, the fair value of financial assets measured at fair value through profit or loss is determined as follows:

##### *Unlisted equity securities and managed investment funds*

When the Trust invests in managed investment funds issued by a party whose unlisted equity securities are also held by the Trust, the fair value of such managed investment funds and unlisted equity securities, in combination, is determined by the Investment Manager using the discounted cash flow methodology.

##### (d) Significant Accounting Judgements, Estimates and Assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

##### *Fair value measurement of investments in financial instruments*

The majority of the Trust's investments are financial instruments measured at fair value through profit or loss. Where available, quoted market prices for the same or similar instrument are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Judgement is applied in selecting valuation techniques and setting valuation assumptions and inputs. Further details on the determination of fair value of financial assets is set out in Note 1(c).



## SOUTHERN WAY UNIT TRUST

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

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (d) Significant Accounting Judgements, Estimates and Assumptions (continued)

###### *Assessment of Trust investments as structured entities*

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Trust.

The Trustee has assessed whether the managed investment funds in which the Trust invests in should be classified as structured entities. The Trustee has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Trustee has concluded on whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds.

As voting rights or similar rights are the dominant factor in deciding who controls the funds, the Trustee has concluded that the managed investment funds in which the Trust invests in are not structured entities.

##### (e) Investment Income

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

###### *Dividend income*

Dividends from unlisted companies are recognised when the dividend is declared.

###### *Distribution income*

Distributions from unlisted managed investment funds are recognised as income on the date the unit is quoted ex-distribution.

###### *Interest income*

Interest income earned on cash and cash equivalents is recognised on an accrual basis.

###### *Net changes in the fair value of financial instruments measured at fair value through profit or loss*

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

##### (f) Expenses

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

##### (g) Recognition and Derecognition of Financial Assets and Liabilities

Financial assets and financial liabilities are recognised at the date the Trust becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to a third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

##### (h) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include highly liquid investments which are readily convertible to cash on hand at the Trustee's option and which the Trustee uses in its day to day management of the Trust's cash requirements.

##### (i) Receivables

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at their nominal amounts. An allowance for doubtful debts is made when there is objective evidence that the Trust will not be able to collect the debts. Bad debts are written off when identified less any allowance for doubtful debts. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

## SOUTHERN WAY UNIT TRUST

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

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (j) Net Assets Attributable to Unitholders

Net assets attributable to unitholders comprise units on issue and undistributed reserves. Prior to 30 June 2018, net assets attributable to unitholders were classified as liabilities and not as equity because the Trustee had a contractual obligation to pay distributable income of the Trust to unitholders and units are redeemable at the unitholders' option (subject to the provisions of the Trust Constitution). In order to allow the Trust to elect into the AMIT tax regime, the Trust's Constitution has been amended and other conditions required to adopt the AMIT tax regime have also been met effective from 30 June 2018. Adopting the AMIT tax regime removes the Trustee's contractual obligation to distribute trust income to unitholders. As the Trustee no longer has any contractual obligations to pay distributions, and the units on issue comprise one class of units with identical features which are equally subordinate to any other financial instruments on issue, the Trust's net assets attributable to unitholders have been reclassified to equity in accordance with AASB 132 Financial Instruments: Presentation.

Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the fair value of financial assets and derivative financial instruments. The fair value of units requested to be redeemed is measured at the redemption amount that would be payable (based on the exit unit price) at the balance date. The Trust's redemption unit price is based on different valuation principles to that applied in financial reporting, resulting in a valuation difference which is treated as a component of net assets attributable to unitholders. Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Trustee if it is in the best interests of the unitholders.

##### (k) Taxation

Under tax legislation, the Trust is not liable to pay income tax because it has met certain conditions required to adopt the AMIT tax regime effective from 30 June 2018 and for the year ended on that date. Under the AMIT tax regime unitholders are attributed the income of the Trust.

In the comparative period, and under tax legislation, the Trust was not liable to pay income tax since, under the terms of the Trust Deed, the unitholders were presently entitled to the income of the Trust.

##### (l) Distributable Income

Net assets attributable to unitholders were reclassified from liabilities to equity on 30 June 2018. Up until this date, in accordance with the Trust Deed, the Trust fully distributed its distributable income to unitholders. Such distributions were determined by reference to the taxable income of the Trust. Distributions were recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributable income includes capital gains arising from the disposal of assets.

Distributable income does not include unrealised gains and losses arising from net changes in the fair value of financial assets and derivative financial instruments, accrued income not yet assessable, expenses provided for or accrued but not yet deductible, tax free or deferred income and realised capital losses which are retained to offset future realised capital gains.

##### (m) Foreign Currency Transactions

###### (i) Functional and presentation currency

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The presentation currency of this Financial Report, and the functional currency of the Trust, is the Australian dollar.

###### (ii) Transactions and balances

Income and expense items denominated in a currency other than the functional currency are translated at the spot exchange rate at the date of the transaction. All monetary items denominated in foreign currencies are translated to Australian dollars using the exchange rate at the balance date, with exchange gains and losses recognised in the Statement of Comprehensive Income.

Non-monetary items measured at fair value in foreign currencies are translated to Australian dollars using the exchange rate at the date when the fair value was determined.

##### (n) Terms and Conditions of Units on Issue

Issued and paid up units are initially recognised at the fair value of the consideration received by the Trust.

Each unit confers upon the unitholder an equal interest in the Trust (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Trust.

Unitholders have various rights under the Trust Deed, which, subject to certain terms and conditions, include the right to:

- have their units redeemed
- attend and vote at meetings of unitholders
- participate in the termination and winding up of the Trust.

Applications received for units in the Trust are recognised net of any transaction costs arising on the issue of units in the Trust. Redemptions from the Trust are recognised gross of any transaction costs payable after the cancellation of units redeemed. Unit entry and exit prices are determined in accordance with the Trust Deed.

**SOUTHERN WAY UNIT TRUST**

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(o) Goods and Services Tax ("GST")**

All income, expenses and assets are recognised net of any GST paid, except where they relate to products and services which are input taxed for GST purposes or the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of Financial Position.

Cash flows are disclosed on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

# SOUTHERN WAY UNIT TRUST

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

| 30 June 2018 | 30 June 2017 |
|--------------|--------------|
| \$           | \$           |

### NOTE 2: RECEIVABLES

|                     |   |   |
|---------------------|---|---|
| Interest receivable | - | 5 |
|                     | - | 5 |

| 30 June 2018 | 30 June 2017 |
|--------------|--------------|
| Units        | Units        |

### NOTE 3: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movement in the number of units on issue during the financial year was as follows:

#### Units on Issue

|                 |            |            |
|-----------------|------------|------------|
| Opening balance | 62,671,254 | 62,671,254 |
| Closing balance | 62,671,254 | 62,671,254 |

| 30 June 2018 | 30 June 2017 |
|--------------|--------------|
| \$           | \$           |

### NOTE 4: CASH AND CASH EQUIVALENTS

#### (a) Reconciliation of net profit/(loss) attributable to unitholders before finance costs to net cash inflow/(outflow) from operating activities

|  |                   |                   |
|--|-------------------|-------------------|
| Net profit/(loss) attributable to unitholders before finance costs                                   | 12,763,016        | 18,328,381        |
| Net changes in the fair value of financial instruments measured at fair value through profit or loss | 963,524           | (1,590,118)       |
| Changes in assets and liabilities:   |                   |                   |
| (Increase)/decrease in receivables   | 5                 | 2                 |
| <b>Net cash inflow/(outflow) from operating activities</b>   | <b>13,726,545</b> | <b>16,738,265</b> |

### NOTE 5: COMMITMENTS AND CONTINGENCIES

The Trust had no commitments or contingencies at 30 June 2018 (30 June 2017: nil).

### NOTE 6: EVENTS OCCURRING AFTER THE BALANCE DATE

Since 30 June 2018 there have been no matters or circumstances not otherwise dealt with in the Financial Report that have significantly affected or may significantly affect the Trust.

### NOTE 7: AUTHORISATION OF THE FINANCIAL REPORT

The Financial Report of the Southern Way Unit Trust for the financial year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Investors Limited on 18 September 2018.

## **SOUTHERN WAY UNIT TRUST**

### **STATEMENT BY THE TRUSTEE**

As stated in Note 1(b) to the Financial Statements, in the Trustee's opinion, the Trust is not a "reporting entity".

In accordance with a resolution of the Directors of AMP Capital Investors Limited, the Trustee, I state that in the opinion of the Directors of the Trustee:

- (a) The Financial Statements and notes are in accordance with the requirements of the Trust Deed, and:
  - (i) are properly drawn up so as to present fairly the Trust's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
  - (ii) comply with Australian Accounting Standards, to the extent set out in Note 1(b) to the Financial Statements.
- (b) There are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.



Director

18 September 2018, Sydney

# **State Infrastructure Holdings 1 Pty Ltd**

ABN: 69 167 280 471

## **Unaudited Special Purpose Financial Statements**

For the Year Ended 30 June 2018

Confidential

**State Infrastructure Holdings 1 Pty Ltd**

ABN: 69 167 280 471

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## State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

## Directors' Report

30 June 2018

The Directors present their report on State Infrastructure Holdings 1 Pty Ltd (the "Company") for the financial year ended 30 June 2018.

The Company was constituted on 17 December 2013.

### Information on directors

The names of each person who has been a director during the year and to the date of this report are:

| <b>Names</b>         | <b>Appointed</b> |
|----------------------|------------------|
| Lianne Margaret Buck | 6 December 2016  |
| Raffi Kalenderian    | 26 May 2017      |

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

### Principal activities

The principal activity of State Infrastructure Holdings 1 Pty Ltd during the financial year was the investment of the shareholder's funds.

The registered office of the Company is Level 7, Deutsche Bank Place, 126 Phillip Street, Sydney NSW 2000, Australia.

### Operating results

The loss of the Company after providing for income tax for the financial year ended 30 June 2018 was \$41,754,453 (2017: profit of \$13,195,217).

### Dividends

There were no dividends paid or declared during the current financial year (2017: \$80,000).

### Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

### Events after the reporting date

The Directors are not aware of any other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect:

- a) the operations of the Company in future financial years, or
- b) the results of those operations in future financial years, or
- c) the state of affairs of the Company in future financial years.

### Future developments and results

Currently, there are no significant developments expected in respect of the Company. The performance of the Company in the future will be subject to the fair value of its investments.

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## State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

### Directors' Report

30 June 2018

#### Environmental and other regulation

The Company's operations are not subject to any significant environmental regulations under Commonwealth, State or Territory law in Australia.

However, its investments are subject to regulation by various statutory authorities in the United Kingdom.

#### Insurance of Directors

No insurance premiums were paid for out of assets of the Company in regards to insurance cover provided to the Directors.

#### Audit

The Company is a non-disclosing entity and is regarded as a small proprietary company pursuant to 45A of the Corporations Act 2001 (Cth), hence no audit of financial statements is mandated.

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

Director: .....  
Lianne Margaret Buck

Director: .....  
Raffi Kalenderian

Dated 17/08/2018

Sydney

**State Infrastructure Holdings 1 Pty Ltd**

ABN: 69 167 280 471

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the Year Ended 30 June 2018**

|   | Note | 2018<br>\$          | 2017<br>\$          |
|---|------|---------------------|---------------------|
| <b>Investment Income</b>  |      |                     |                     |
| Interest income   | 3    | 21,447,795          | 15,857,801          |
| Gain on investments held at fair value through profit or loss             |      | -                   | 18,812,538          |
| Other income  |      | 34,760              | 33,639              |
| Gain on exchange differences  |      | 586                 | 6,727               |
|   |      | <u>21,483,141</u>   | <u>34,710,705</u>   |
| <b>Expenses</b>   |      |                     |                     |
| Administrative expenses   |      | (1,109)             | (702)               |
| Loss on exchange differences  |      | (1,447)             | (1,892)             |
| Loss on investments held at fair value through profit or loss             |      | (59,682,006)        | -                   |
|   |      | <u>(59,684,562)</u> | <u>(2,594)</u>      |
| <b>Finance Costs</b>  |      |                     |                     |
| Interest expense  |      | (21,447,797)        | (15,857,801)        |
| <b>Profit / (Loss) before income tax</b>                                  |      | <u>(59,649,218)</u> | <u>18,850,310</u>   |
| Income tax benefit / (expense)  | 4    | 17,894,765          | (5,655,093)         |
| <b>Profit / (loss) for the year</b>                                       |      | <u>(41,754,453)</u> | <u>13,195,217</u>   |
| <b>Other comprehensive income/(loss), net of income tax</b>               |      |                     |                     |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |      |                     |                     |
| Exchange differences on foreign currency translation                      |      | 15,760,590          | (16,878,001)        |
| <b>Other comprehensive income/(loss) for the year, net of tax</b>         |      | <u>15,760,590</u>   | <u>(16,878,001)</u> |
| <b>Total comprehensive income/(loss) for the year</b>                     |      | <u>(25,993,863)</u> | <u>(3,682,784)</u>  |

The accompanying notes form part of these financial statements.

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# State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

## Statement of Financial Position

30 June 2018

|  | Note | 2018<br>\$         | 2017<br>\$         |
|--|------|--------------------|--------------------|
| <b>ASSETS</b>                              |      |                    |                    |
| <b>CURRENT ASSETS</b>                      |      |                    |                    |
| Cash at bank                               |      | 53,690             | 32,136             |
| Related party receivables                  |      | 1,607              | 1,607              |
| <b>TOTAL CURRENT ASSETS</b>                |      | <b>55,297</b>      | <b>33,743</b>      |
| <b>NON-CURRENT ASSETS</b>                  |      |                    |                    |
| Investment in equity securities            | 6    | 263,635,580        | 308,958,972        |
| Investment in variable interest securities | 6    | 311,062,362        | 273,894,348        |
| Deferred tax assets                        | 5    | 15,736,293         | -                  |
| <b>TOTAL NON-CURRENT ASSETS</b>            |      | <b>590,434,235</b> | <b>582,853,320</b> |
| <b>TOTAL ASSETS</b>                        |      | <b>590,489,532</b> | <b>582,887,063</b> |
| <b>LIABILITIES</b>                         |      |                    |                    |
| <b>CURRENT LIABILITIES</b>                 |      |                    |                    |
| Income tax liabilities                     | 8    | 1,472              | 4,590              |
| <b>TOTAL CURRENT LIABILITIES</b>           |      | <b>1,472</b>       | <b>4,590</b>       |
| <b>NON-CURRENT LIABILITIES</b>             |      |                    |                    |
| Trade and other payable                    | 7    | 8,135,343          | 7,087,422          |
| Interest bearing loan                      | 9    | 302,927,023        | 266,806,928        |
| Deferred tax liabilities                   | 5    | 2,990              | 2,535,587          |
| <b>TOTAL NON-CURRENT LIABILITIES</b>       |      | <b>311,065,356</b> | <b>276,429,937</b> |
| <b>TOTAL LIABILITIES</b>                   |      | <b>311,066,828</b> | <b>276,434,527</b> |
| <b>NET ASSETS</b>                          |      | <b>279,422,704</b> | <b>306,452,536</b> |
| <b>EQUITY</b>                              |      |                    |                    |
| Issued capital                             | 10   | 330,260,684        | 331,296,653        |
| Reserves                                   | 11   | (13,876,749)       | (29,637,339)       |
| Retained earnings                          |      | (36,961,231)       | 4,793,222          |
| <b>TOTAL EQUITY</b>                        |      | <b>279,422,704</b> | <b>306,452,536</b> |

The accompanying notes form part of these financial statements.

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# State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

## Statement of Changes in Equity

For Year Ended 30 June 2018

2018

|                                     |      | Ordinary<br>Shares | Retained<br>Earnings | Foreign<br>Currency<br>Translation<br>Reserve | Total              |
|-------------------------------------|------|--------------------|----------------------|---|--------------------|
|                                     | Note | \$                 | \$                   | \$  | \$                 |
| <b>Balance at 1 July 2017</b>       |      | <b>331,296,653</b> | <b>4,793,222</b>     | <b>(29,637,339)</b>                           | <b>306,452,536</b> |
| Return of capital                   | 10   | (1,035,969)        | -                    | -   | (1,035,969)        |
| Loss for the year                   |      | -                  | (41,754,453)         | -   | (41,754,453)       |
| Other comprehensive income / (loss) | 11   | -                  | -                    | 15,760,590                                    | 15,760,590         |
| <b>Balance at 30 June 2018</b>      |      | <b>330,260,684</b> | <b>(36,961,231)</b>  | <b>(13,876,749)</b>                           | <b>279,422,704</b> |

2017

|                                     |      | Ordinary<br>Shares | Retained<br>Earnings | Foreign<br>Currency<br>Translation<br>Reserve | Total              |
|-------------------------------------|------|--------------------|----------------------|---|--------------------|
|                                     | Note | \$                 | \$                   | \$  | \$                 |
| <b>Balance at 1 July 2016</b>       |      | <b>284,401,012</b> | <b>(8,321,995)</b>   | <b>(12,759,338)</b>                           | <b>263,319,679</b> |
| Shares issued during the period     | 10   | 55,820,757         | -                    | -   | 55,820,757         |
| Return of capital                   | 10   | (8,925,116)        | -                    | -   | (8,925,116)        |
| Profit for the year                 |      | -                  | 13,195,217           | -   | 13,195,217         |
| Dividend                            |      | -                  | (80,000)             | -   | (80,000)           |
| Other comprehensive income / (loss) | 11   | -                  | -                    | (16,878,001)                                  | (16,878,001)       |
| <b>Balance at 30 June 2017</b>      |      | <b>331,296,653</b> | <b>4,793,222</b>     | <b>(29,637,339)</b>                           | <b>306,452,536</b> |

The accompanying notes form part of these financial statements.

Confidential

**State Infrastructure Holdings 1 Pty Ltd**

ABN: 69 167 280 471

**Statement of Cash Flows**  
**For the Year Ended 30 June 2018**

|   | 2018               | 2017               |
|---|--------------------|--------------------|
| Note  | \$                 | \$                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>              |                    |                    |
| Directors fee received                                    | 35,298             | 34,253             |
| Payments to suppliers                                     | (1,125)            | (719)              |
| Income tax paid   | (13,071)           | (6,937)            |
| Net cash from operating activities                        | 14 <u>21,102</u>   | <u>26,597</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>              |                    |                    |
| Proceeds from redemption of preference shares             | 1,042,503          | 5,200,579          |
| Net cash from investing activities                        | <u>1,042,503</u>   | <u>5,200,579</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>              |                    |                    |
| Return of share capital                                   | (1,035,969)        | (8,925,116)        |
| Dividends paid  | -                  | (80,000)           |
| Net cash used in financing activities                     | <u>(1,035,969)</u> | <u>(9,005,116)</u> |
| Net increase/(decrease) in cash and cash equivalents held | 27,636             | (3,777,940)        |
| Cash and cash equivalents at beginning of the year        | 32,136             | 4,164,234          |
| Net foreign exchange difference                           | (6,082)            | (354,158)          |
| Cash and cash equivalents at end of the year              | <u>53,690</u>      | <u>32,136</u>      |

The accompanying notes form part of these financial statements.

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## State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

# Notes to the Financial Statements

For the Year Ended 30 June 2018

## 1 General information

State Infrastructure Holdings 1 Pty Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Company's operations and its principal activities are included in the Directors' report.

## 2 Summary of significant accounting policies

### (a) Basis of preparation

In the Directors' opinion, State Infrastructure Holdings 1 Pty Limited is a non-disclosing entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of the Company. The Directors have determined that the accounting policies adopted are appropriate to meet the needs of the Company.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") and the disclosure requirements of the following, except for the recognition and measurement of Loans and Receivables financial instrument, as required by AASB 139 'Recognition and Measurement of Financial Instruments'.

AASB 13 Fair Value Measurement

AASB 101 Presentations of Financial Statements

AASB 107 Cash Flow Statements

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

AASB 124 Related Party Disclosures

AASB 139 Recognition and measurement of Financial Instruments

AASB 1048 Interpretation and Application of Standards

AASB 1054 Australian Additional Disclosures

State Infrastructure Holdings 1 Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below.

The financial statements are based on historical costs, except for investment, which has been measured at fair value.

### (b) Financial instruments

#### *Classification*

The Company's investments are classified as at fair value through profit or loss. These are investments in equity instruments, known as investment in equity securities, which are not held for trading purposes.

#### *Recognition / derecognition*

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in fair value of the financial assets or financial liabilities from this date.

Confidential

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 2 Summary of significant accounting policies

##### (b) Financial instruments

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

##### *Measurement*

##### **Financial assets at fair value through profit and loss**

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes recognised in the statement of profit and loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price, and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used includes discounted cashflow analysis, quoted comparable companies and market based transactions and other valuation techniques commonly used by market participants.

The ultimate holding entity of the Company is required to report the net market value of its assets in accordance to AAS25 (Financial Reporting for Superannuation Plans). Therefore the Company fair values its assets in accordance to AAS25. Under AAS25, the net market value is defined as the fair amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal.

##### **Loans and receivables**

Loans and Receivables financial assets are initially recognised at cost and are subsequently measured using the actual interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at fair value decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

##### *Offsetting financial instruments*

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

## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2018**

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

##### **(c) Investment income**

Interest income is recognised on an accrual basis. The Company uses the actual interest rate in calculating interest income from Eurobonds because the actual interest rate approximates the effective interest rate method, provided there are no transaction costs.

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

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

##### **(e) Expenses**

All expenses are recognised in profit or loss on an accruals basis.

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

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. Amounts are generally paid within 30 days of being recorded as payables.

##### **(g) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

##### **(h) Income Tax**

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

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

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

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

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2018**

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

#### **(h) Income Tax**

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

#### **(i) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

#### **(j) Foreign currency transactions and balances**

The Company maintains its accounting books and records in Pound Sterling (GBP) on the basis that the Company's only activity is investment in UK based infrastructure assets. The equity funding provided by the shareholder of the Company and the investments in the underlying UK assets have all been in GBP.

For statutory compliance and financial reporting purposes, the Company translates its financial records from Pound Sterling to Australian Dollars at the end of the reporting period. Balance sheet items are translated using the closing spot rate on the reporting date and profit and loss items are translated using the average rate for the reporting period. The rates used for translation are London 4 pm rates, provided by JP Morgan as the Custodian of SAS Trustee Corporation, the ultimate holding entity of the Company.

Exchange differences arising on translation are recognised in other comprehensive income as foreign currency translation reserve.

#### **(k) Use of estimates and judgments**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company's financial instruments are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are periodically reviewed by experienced personnel of the independent valuer.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 2 Summary of significant accounting policies

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

At the date of this report, the Standards and Interpretations listed below were on issue but not yet effective. They are available for early adoption at 31 December 2017, but have not been applied in preparing these financial statements. The potential effect of the below Standards and Interpretations on the Fund's financial statements has not yet been determined:

- AASB 9 'Financial Instruments', AASB 2010-7 and AASB 2014-7 'Amendments to Australian Accounting Standards arising from AASB 9'. Effective for annual reporting periods beginning on or after 1 January 2018.
- AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'. Effective for annual reporting periods beginning on or after 1 January 2018.

#### 3 Interest income

##### Interest income from Eurobonds

| 2018                               |                    |                  |                   |                   |
|------------------------------------|--------------------|------------------|-------------------|-------------------|
|                                    | Eurobond<br>amount | Interest<br>rate | Interest amount   | Interest amount   |
|                                    | GBP                |                  | GBP               | AUD               |
| 1 July 2017 to 21 August 2017      | 157,553,759        | 7.5161%          | 1,687,071         | 2,932,122         |
| 22 August 2017 to 21 February 2018 | 163,426,066        | 7.4051%          | 6,100,690         | 10,602,973        |
| 22 February 2018 to 30 June 2018   | 169,526,756        | 7.5987%          | 4,552,773         | 7,912,700         |
|                                    |                    |                  | <b>12,340,534</b> | <b>21,447,795</b> |

| 2017                               |                    |                  |                  |                   |
|------------------------------------|--------------------|------------------|------------------|-------------------|
|                                    | Eurobond<br>amount | Interest<br>rate | Interest amount  | Interest amount   |
|                                    | GBP                | %                | GBP              | AUD               |
| 1 July 2016 to 22 August 2016      | 114,624,434        | 7.7373%          | 1,287,795        | 2,165,989         |
| 23 August 2016 to 22 February 2017 | 119,046,674        | 7.5188%          | 4,487,672        | 7,547,981         |
| 23 February 2017 to 8 May 2017     | 123,534,346        | 7.5161%          | 1,933,316        | 3,251,715         |
| 9 May to 30 June 2017              | 157,553,759        | 7.5161%          | 1,719,515        | 2,892,116         |
|                                    |                    |                  | <b>9,428,298</b> | <b>15,857,801</b> |

The interest was calculated in GBP as per the terms of the Eurobonds and translated to AUD using the average exchange rate for the period. The rate used in translation was 1.737996 (2017: 1.681937).

## Notes to the Financial Statements

For the Year Ended 30 June 2018

### 4 Income tax expense / benefit

Reconciliation of income tax to accounting profit:

|  | 2018              | 2017               |
|--|-------------------|--------------------|
|  | \$                | \$                 |
| <b>Numerical reconciliation of income tax expense and tax at statutory rate:</b> |                   |                    |
| Profit / (loss) before income tax expense  | (59,649,218)      | 18,850,310         |
| Tax at the statutory rate of 30%   | 17,894,765        | (5,655,093)        |
| <b>Income tax benefit / (expense)</b>  | <b>17,894,765</b> | <b>(5,655,093)</b> |

### 5 Deferred tax

#### (i) Deferred tax assets

|  | 2018              | 2017               |
|--|-------------------|--------------------|
|  | \$                | \$                 |
| <b>Deferred tax asset comprises temporary differences attributable to:</b>               |                   |                    |
| <b>Amounts recognised in the income statement</b>  |                   |                    |
| Unrealised loss / (gain) on investment [30% of \$52,454,309 (2017: 30% of \$10,428,747)] | 15,736,293        | (3,128,624)        |
|  | <b>15,736,293</b> | <b>(3,128,624)</b> |
| <i>Movements:</i>  |                   |                    |
| Opening balance  | -                 | 3,339,542          |
| Credited to the income statement   | 15,736,293        | (3,128,624)        |
| Exchange Differences   | -                 | (210,918)          |
| <b>Closing balance</b>   | <b>15,736,293</b> | <b>-</b>           |

#### (ii) Deferred tax liabilities

|  | 2018             | 2017               |
|--|------------------|--------------------|
|  | \$               | \$                 |
| <b>Deferred tax liability comprises temporary differences attributable to:</b>         |                  |                    |
| Unrealised foreign exchange loss / (gain) [30% of \$1,487 (2017: 30% of \$6,727)]      | 446              | (2,018)            |
| Unrealised loss / (gain) on investment [30% of \$8,906,983 (2017: 30% of \$8,383,793)] | 2,672,095        | (2,515,138)        |
|  | <b>2,672,541</b> | <b>(2,517,156)</b> |
| <i>Movements:</i>  |                  |                    |
| Opening balance  | (2,535,587)      | (1,299)            |
| Credited to the income statement   | 2,672,541        | (2,517,156)        |
| Exchange Differences   | (139,944)        | (17,132)           |
| <b>Closing balance</b>   | <b>(2,990)</b>   | <b>(2,535,587)</b> |

## State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

### Notes to the Financial Statements

For the Year Ended 30 June 2018

#### 6 Investments

##### Fair value of investments

|                              | 2018               | 2017               |
|------------------------------|--------------------|--------------------|
|                              | \$                 | \$                 |
| Opening Balance              | 582,853,320        | 467,232,387        |
| Additions                    | -                  | 116,354,827        |
| Return of Capital            | (1,014,120)        | (5,235,865)        |
| Interest Capitalised         | 21,394,524         | 15,857,801         |
| Fair Value Gain/(Loss)       | (59,682,006)       | 18,812,538         |
| Foreign Exchange Revaluation | 31,146,224         | (30,168,368)       |
| <b>Closing Balance</b>       | <b>574,697,942</b> | <b>582,853,320</b> |

For the purpose of managing and evaluating the performance of the investments, which comprises of ordinary shares, preference shares and Eurobonds, the Directors of the Company consider them as a group of assets.

New South Wales Treasury Corporation (Tcorp) is the investment manager ("Manager") to SAS Trustee Corporation for its investments in State Infrastructure Holdings 1 Pty Ltd. An independent valuer ("Valuer") is engaged by STC in respect of the Company's investments. The Valuer considered a number of valuation methods including discounted cashflow analysis, quoted comparable companies and market-based transactions to determine the fair value of the investments.

Given the status of prevailing business conditions and the performance of the investment and the recommendation by the Manager and the Valuer, the Directors determined the fair value of the investment at 30 June 2018 to be GBP 321,617,654 (\$574,697,942 at the exchange rate of 1.786898) [2017: GBP 344,184,211 (\$582,853,320 at an exchange rate of 1.693434)].

#### 7 Trade and other payables

|                                      | 2018             | 2017             |
|--------------------------------------|------------------|------------------|
|                                      | \$               | \$               |
| NON-CURRENT                          |                  |                  |
| Interest payable on shareholder loan | 8,135,343        | 7,087,422        |
|                                      | <b>8,135,343</b> | <b>7,087,422</b> |

#### 8 Income tax liabilities

|                        | 2018         | 2017         |
|------------------------|--------------|--------------|
|                        | \$           | \$           |
| Opening balance        | 4,590        | 985          |
| Provision for the year | 10,560       | 10,542       |
| Paid during the year   | (13,328)     | (6,937)      |
| Exchange difference    | (350)        | -            |
|                        | <b>1,472</b> | <b>4,590</b> |

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## State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

### Notes to the Financial Statements

For the Year Ended 30 June 2018

#### 9 Interest bearing loan

|                                      | 2018               | 2017               |
|--------------------------------------|--------------------|--------------------|
|                                      | \$                 | \$                 |
| Opening Balance                      | 266,806,928        | 205,788,228        |
| Additional Drawdown                  | -                  | 60,534,070         |
| Interest Capitalised                 | 21,394,524         | 15,088,350         |
| Foreign Exchange Revaluation Reserve | 14,725,571         | (14,603,720)       |
|                                      | <b>302,927,023</b> | <b>266,806,928</b> |

#### Shareholder loan

The terms of the loan mirrors the terms of the Eurobonds issued by the Kelda Eurobond Co Limited. Repayment of the loan principal and accrued interest is due on the date of the redemption of the Eurobonds.

#### 10 Issued capital

|   | 2018               | 2017               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| Opening balance                         | 331,296,653        | 284,401,012        |
| Ordinary share issued during the period | -                  | 55,820,757         |
| Return of capital                       | (1,035,969)        | (8,925,116)        |
| <b>Closing balance</b>                  | <b>330,260,684</b> | <b>331,296,653</b> |

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At the shareholder's meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

During the financial year, the Company made a capital return of \$1,035,969 (2017: \$8,925,116) from the proceeds of the redemption of preference shares. No shares were issued during the financial year (2017: issued 31,861,539 number of shares at \$1.75 per unit).

#### 11 Reserves

|   | 2018                | 2017                |
|---|---------------------|---------------------|
|   | \$                  | \$                  |
| <b>Foreign currency translation reserve</b> |                     |                     |
| Opening balance                             | (29,637,339)        | (12,759,338)        |
| Transfers in/(out)                          | 15,760,590          | (16,878,001)        |
| <b>Total reserves</b>                       | <b>(13,876,749)</b> | <b>(29,637,339)</b> |

#### Foreign currency translation reserve

The Company maintains its books and records in Pound Sterling (GBP) on the basis that the Company's only activity is investment in UK based infrastructure assets. For the financial reporting and compliance purposes, the Company translates its financial records from Pound Sterling to Australian Dollars.

## Notes to the Financial Statements

For the Year Ended 30 June 2018

### 11 Reserves

#### Foreign currency translation reserve

Balance sheet items are translated using the closing spot rate on the reporting date and Profit and Loss items are translated using the average rate for the reporting period. Exchange differences arising on translation are recognised in other comprehensive income as foreign currency translation reserve.

### 12 Fair value measurement

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Investments

#### (a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

|         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.     |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3 | Unobservable inputs for the asset or liability.  |

The table below shows the assigned level for each asset and liability held at fair value.

|  | Level 1 | Level 2 | Level 3            | Total              |
|--|---------|---------|--------------------|--------------------|
|  | \$      | \$      | \$                 | \$                 |
| <b>2018</b>                              |         |         |                    |                    |
| <b>Recurring fair value measurements</b> |         |         |                    |                    |
| <b>Financial assets</b>                  |         |         |                    |                    |
| Investments                              | -       | -       | 574,697,942        | 574,697,942        |
| <b>Total</b>                             | -       | -       | <b>574,697,942</b> | <b>574,697,942</b> |

#### 2017

#### Recurring fair value measurements

#### Financial assets

|              |   |   |                    |                    |
|--------------|---|---|--------------------|--------------------|
| Investments  | - | - | 582,853,320        | 582,853,320        |
| <b>Total</b> | - | - | <b>582,853,320</b> | <b>582,853,320</b> |

## State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

# Notes to the Financial Statements

For the Year Ended 30 June 2018

## 12 Fair value measurement

### (b) Valuation techniques used to derive level 2 and level 3 fair values

For its investments, the Company obtains independent valuations at least annually. At the end of each reporting period, the Directors in consultation with the Manager will update their assessment of the fair value of investments, taking into account the most recent independent valuations.

The independent valuer considers a number of valuation methods including discounted cashflow analysis and quoted comparable companies and market-based transactions.

All resulting fair value estimate for investments is included in level 3.

## 13 Related parties

### (a) Immediate and ultimate parent entity

The Company's immediate parent entity is State Infrastructure Trust, and the ultimate holding entity is SAS Trustee Corporation, a defined benefit superannuation fund.

### (b) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

The following persons were directors of State Infrastructure Holdings 1 Pty Ltd during the financial period and up to the date of this report:

| Names                | Appointed       |
|----------------------|-----------------|
| Lianne Margaret Buck | 6 December 2016 |
| Raffi Kalenderian    | 26 May 2017     |

There were no interests held by any of the key management person in State Infrastructure Holdings 1 Pty Ltd during the financial period ended 30 June 2018.

### (c) Shareholder

| 2018                       | No. of shares      | %             |
|----------------------------|--------------------|---------------|
| <b>Ordinary shares</b>     |                    |               |
| State Infrastructure Trust | 319,470,650        | 100.00        |
| <b>Total</b>               | <b>319,470,650</b> | <b>100.00</b> |

## State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

### Notes to the Financial Statements

For the Year Ended 30 June 2018

#### 13 Related parties

(c) Shareholder  
2017

Ordinary shares

State Infrastructure Trust

Total

| No. of shares      | %             |
|--------------------|---------------|
| 319,470,650        | 100.00        |
| <b>319,470,650</b> | <b>100.00</b> |

(d) Investment manager

New South Wales Treasury Corporation is the investment manager to SAS Trustee Corporation for its investments in State Infrastructure Holdings 1 Pty Ltd.

(e) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Loans from related parties

The Company has borrowed GBP 94,921,655 (\$194,227,836 at the exchange rate of 2.046191) from its shareholder State Infrastructure Trust to part fund the acquisition of its investment in Eurobonds. The loan was drawn on 29 January 2014.

The Company has borrowed an additional loan of GBP 34,019,413 (\$59,601,307 at the exchange rate of 1.751979) from State Infrastructure Trust to fund the acquisition on additional Eurobonds. The loan was drawn down on 8 May 2017.

#### 14 Cash flow information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

|   | 2018          | 2017          |
|---|---------------|---------------|
|   | \$            | \$            |
| Profit for the year                                 | (41,754,453)  | 13,195,217    |
| - Interest income capitalised                       | (21,447,795)  | (15,857,801)  |
| - Interest expense capitalised                      | 21,447,797    | 15,857,801    |
| - (Gain) / loss of investment fair value adjustment | 59,682,006    | (18,812,538)  |
| - Realised foreign (gain)/loss                      | (586)         | 1,892         |
| - Income tax expense / (benefit)                    | (17,894,765)  | 5,655,093     |
| - Unrealised foreign exchange loss                  | 1,447         | -             |
| - Net foreign exchange differences                  | (12,549)      | (13,067)      |
| Cashflow from operations                            | <b>21,102</b> | <b>26,597</b> |

#### 15 Commitments and contingencies

In the opinion of the Directors, the Company did not have any commitments or contingencies at 30 June 2018.

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## **State Infrastructure Holdings 1 Pty Ltd**

ABN: 69 167 280 471

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2018**

### **16 Events occurring after the reporting date**

As at the date of this report, the Directors of the Company are not aware of any other matter or circumstance that has arisen since the end of the financial period that has significantly affected or may significantly affect the operations of the Company, the results of its operations or its state of affairs, which is not already reflected in this report.

## State Infrastructure Holdings 1 Pty Ltd

ABN: 69 167 280 471

### Directors' Declaration

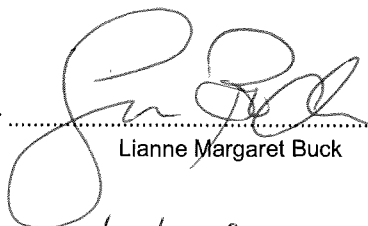
The Directors have determined that the Company is a non-disclosing entity and is regarded as a "small proprietary company" pursuant to 45A of the Corporations Act 2001 (Cth) and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the financial statements.

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 3 to 18, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards as stated in Note 2; and
  - (b) give a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 2 to the financial statements.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director .....



Lianne Margaret Buck

Dated

17 / 8 / 2018

Sydney

Director .....



Raffi Kalenderian

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# **State Infrastructure Trust**

**ABN: 50 580 647 086**

## **Unaudited Special Purpose Consolidated Financial Statements**

**For the Year Ended 30 June 2018**

**Confidential**

## State Infrastructure Trust

ABN: 50 580 647 086

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**State Infrastructure Trust**

ABN: 50 580 647 086

# **Consolidated Statement of Profit or Loss and Other Comprehensive Income**

**For the Year Ended 30 June 2018**

|   |      | Consolidated        |                     | State Infrastructure Trust |                     |
|---|------|---------------------|---------------------|----------------------------|---------------------|
|   |      | 2018                | 2017                | 2018                       | 2017                |
|   | Note | \$                  | \$                  | \$                         | \$                  |
| <b>Revenue</b>  |      |                     |                     |                            |                     |
| Interest Income   | 3    | 21,447,795          | 15,858,405          | 21,474,456                 | 15,852,726          |
| Other Income  |      | 34,760              | 33,639              | -                          | 80,000              |
| Gain on investments held at fair value through profit or loss   | 8    | -                   | 18,812,538          | -                          | -                   |
| Net gain in foreign exchange translation  | 5    | 15,692,700          | -                   | 15,693,560                 | -                   |
| <b>Total Revenue</b>  |      | <b>37,175,255</b>   | <b>34,704,582</b>   | <b>37,168,016</b>          | <b>15,932,726</b>   |
| <b>Expenses</b>   |      |                     |                     |                            |                     |
| Net loss in foreign exchange translation  | 5    | -                   | (13,902,585)        | -                          | (13,907,420)        |
| Administrative expenses   |      | (1,109)             | (837)               | -                          | (136)               |
| Loss on investments held at fair value through profit or loss   | 8    | (59,682,006)        | -                   | -                          | -                   |
| <b>Total Expenses</b>   |      | <b>(59,683,115)</b> | <b>(13,903,422)</b> | <b>-</b>                   | <b>(13,907,556)</b> |
| <b>Income / (loss) before income tax</b>  |      | <b>(22,507,860)</b> | <b>20,801,160</b>   | <b>37,168,016</b>          | <b>2,025,170</b>    |
| Income tax benefit / (expense)  | 4    | 17,894,765          | (5,655,093)         | -                          | -                   |
| <b>Operating income / (loss) before transactions with unitholder</b>                                  |      | <b>(4,613,095)</b>  | <b>15,146,067</b>   | <b>37,168,016</b>          | <b>2,025,170</b>    |
| <b>Finance costs attributable to unitholders</b>  |      |                     |                     |                            |                     |
| Distribution to unitholders   |      | (21,515,220)        | (15,103,061)        | (21,515,220)               | (15,103,061)        |
| Reclassification of other comprehensive income - exchange differences on foreign currency translation |      | 15,787,248          | (16,883,681)        | -                          | -                   |
| Decrease / (increase) in net assets attributable to unitholders                                       |      | 10,341,067          | 16,840,675          | (15,652,796)               | 13,077,891          |
| <b>Net profit / (loss)</b>  |      | <b>-</b>            | <b>-</b>            | <b>-</b>                   | <b>-</b>            |
| <b>Other comprehensive income</b>   |      |                     |                     |                            |                     |
| Exchange differences on foreign currency translation  |      | 15,787,248          | (16,883,681)        | -                          | -                   |
| Reclassification of other comprehensive income to profit or loss                                      |      | (15,787,248)        | 16,883,681          | -                          | -                   |
| <b>Other comprehensive income for the year, net of tax</b>  |      | <b>-</b>            | <b>-</b>            | <b>-</b>                   | <b>-</b>            |
| <b>Total comprehensive income for the year</b>  |      | <b>-</b>            | <b>-</b>            | <b>-</b>                   | <b>-</b>            |

The accompanying notes form part of these financial statements.

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**State Infrastructure Trust**

ABN: 50 580 647 086

**Consolidated Statement of Financial Position**

30 June 2018

|  | Note  | Consolidated       |                    | State Infrastructure Trust |                    |
|--|-------|--------------------|--------------------|----------------------------|--------------------|
|  |       | 2018               | 2017               | 2018                       | 2017               |
|  |       | \$                 | \$                 | \$                         | \$                 |
| <b>Assets</b>  |       |                    |                    |                            |                    |
| <b>Current assets</b>  |       |                    |                    |                            |                    |
| Cash at bank   |       | 53,690             | 32,136             | -                          | -                  |
| <b>Total current assets</b>  |       | <b>53,690</b>      | <b>32,136</b>      | <b>-</b>                   | <b>-</b>           |
| <b>Non-current assets</b>  |       |                    |                    |                            |                    |
| Intercompany loan  | 6     | -                  | -                  | 311,062,366                | 273,894,350        |
| Investment in equity securities  | 8     | 263,635,580        | 308,958,972        | 330,260,684                | 331,296,653        |
| Investment in variable interest securities                                 | 8     | 311,062,362        | 273,894,348        | -                          | -                  |
| Deferred tax assets  | 7     | 15,736,293         | -                  | -                          | -                  |
| <b>Total non-current assets</b>  |       | <b>590,434,235</b> | <b>582,853,320</b> | <b>641,323,050</b>         | <b>605,191,003</b> |
| <b>Total assets</b>  |       | <b>590,487,925</b> | <b>582,885,456</b> | <b>641,323,050</b>         | <b>605,191,003</b> |
| <b>Liabilities</b>   |       |                    |                    |                            |                    |
| <b>Current liabilities</b>   |       |                    |                    |                            |                    |
| Trade and other payables   | 9     | -                  | -                  | 1,607                      | 1,607              |
| Income tax payable   |       | 1,472              | 4,590              | -                          | -                  |
| Distribution payable   |       | 21,515,221         | 14,962,954         | 21,515,221                 | 14,962,954         |
| <b>Total current liabilities</b>   |       | <b>21,516,693</b>  | <b>14,967,544</b>  | <b>21,516,828</b>          | <b>14,964,561</b>  |
| <b>Non-current liabilities</b>   |       |                    |                    |                            |                    |
| Deferred tax liabilities   | 7     | 2,990              | 2,535,587          | -                          | -                  |
| <b>Total non-current liabilities</b>                                       |       | <b>2,990</b>       | <b>2,535,587</b>   | <b>-</b>                   | <b>-</b>           |
| <b>Total liabilities (excluding net assets attributable to unitholder)</b> |       | <b>21,519,683</b>  | <b>17,503,131</b>  | <b>21,516,828</b>          | <b>14,964,561</b>  |
| <b>Net assets attributable to unitholder - liability</b>                   | 10(b) | <b>568,968,242</b> | <b>565,382,325</b> | <b>619,806,222</b>         | <b>590,226,442</b> |

The accompanying notes form part of these financial statements.

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## **Consolidated Statement of Changes in Net Assets Attributable to Unitholder**

**For the Year Ended 30 June 2018**

|  | <b>Note</b> | <b>Consolidated</b>       |                           | <b>State Infrastructure Trust</b> |                           |
|--|-------------|---------------------------|---------------------------|-----------------------------------|---------------------------|
|  |             | <b>2018</b>               | <b>2017</b>               | <b>2018</b>                       | <b>2017</b>               |
|  |             | <b>\$</b>                 | <b>\$</b>                 | <b>\$</b>                         | <b>\$</b>                 |
| Net assets attributable to unitholder at the beginning of the financial year |             | <b>565,382,325</b>        | 457,331,845               | <b>590,226,442</b>                | 478,413,178               |
| Units issued during the financial year                                       | 10          | <b>14,962,953</b>         | 133,816,271               | <b>14,962,953</b>                 | 133,816,271               |
| Return of capital  | 10          | <b>(1,035,969)</b>        | (8,925,116)               | <b>(1,035,969)</b>                | (8,925,116)               |
| Changes in net assets attributable to unitholder                             |             | <b>(10,341,067)</b>       | (16,840,675)              | <b>15,652,796</b>                 | (13,077,891)              |
| <b>Closing net assets attributable to unitholder</b>                         |             | <b><u>568,968,242</u></b> | <b><u>565,382,325</u></b> | <b><u>619,806,222</u></b>         | <b><u>590,226,442</u></b> |

The accompanying notes form part of these financial statements.

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**State Infrastructure Trust**

ABN: 50 580 647 086

**Statement of Cash Flows**  
**For the Year Ended 30 June 2018**

|   | Note  | Consolidated |             | Parent |          |
|---|-------|--------------|-------------|--------|----------|
|   |       | 2018         | 2017        | 2018   | 2017     |
|   |       | \$           | \$          | \$     | \$       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>              |       |              |             |        |          |
| Interest received   |       | -            | 678         | -      | 678      |
| Payments to suppliers                                     |       | (1,125)      | (855)       | -      | (136)    |
| Income taxes paid   |       | (13,071)     | (6,937)     | -      | -        |
| Director fee received                                     |       | 35,298       | 34,253      | -      | -        |
| GST refund received                                       |       | -            | 5,695       | -      | 5,695    |
| Net cash from/(used in) operating activities              | 13(a) | 21,102       | 32,834      | -      | 6,237    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>              |       |              |             |        |          |
| Proceed from redemption of preference shares              |       | 1,042,504    | 5,200,579   | -      | -        |
| Net cash from investing activities                        |       | 1,042,504    | 5,200,579   | -      | -        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>              |       |              |             |        |          |
| Share capital returned                                    |       | (1,035,969)  | (8,925,116) | -      | -        |
| Distribution paid   |       | -            | (140,108)   | -      | (60,108) |
| Net cash used in financing activities                     |       | (1,035,969)  | (9,065,224) | -      | (60,108) |
| Net increase/(decrease) in cash and cash equivalents held |       | 27,637       | (3,831,811) | -      | (53,871) |
| Cash and cash equivalents at beginning of year            |       | 32,136       | 4,218,105   | -      | 53,871   |
| Net foreign exchange difference                           |       | (6,083)      | (354,158)   | -      | -        |
| Cash and cash equivalents at end of financial year        | 13(b) | 53,690       | 32,136      | -      | -        |

The accompanying notes form part of these financial statements.

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## State Infrastructure Trust

ABN: 50 580 647 086

# Notes to the Financial Statements

For the Year Ended 30 June 2018

## 1 General Information

State Infrastructure Trust (the "Trust") was created under the Trust Deed dated 23 August 2010. Perpetual Corporate Trust Limited was appointed as Trustee of the Trust. Deutsche Asset Management (Australia) Limited was appointed as Manager of the Trust up to 13 June 2013. Subsequently, Deutsche Australia Limited was appointed as the new Manager (the "Manager") of the Trust. On the 6th of December 2016, New South Wales Treasury Corporation (TCorp) was appointed as Manager of the Trust.

The financial statements have been prepared for State Infrastructure Trust and for the consolidated group, consisting of State Infrastructure Trust and its wholly owned subsidiary State Infrastructure Holdings 1 Pty Limited ("SIH1"), (together referred as the "Group" or "Consolidated Group") for the year ended 30 June 2018.

## 2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of financial statements are set out below.

### (a) Basis of Preparation

The Consolidated Group is a non-disclosing entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purpose of complying with the requirements of the Trust's constitution, to prepare and distribute financial statements to the owner of the Group. The Trustee has determined that the accounting policies adopted are appropriate to meet the needs of the Consolidated Group.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the "AASB") and the disclosure requirements of the following, except for the recognition and measurement of Loans and Receivables financial instrument, as required by AASB 139 'Recognition and Measurement of Financial Instruments'.

|           |   |
|-----------|---|
| AASB 13   | Fair Value Measurement  |
| AASB 101  | Presentation of Financial Statements                            |
| AASB 107  | Cash Flow Statement   |
| AASB 108  | Accounting Policies, Changes in Accounting Estimates and Errors |
| AASB 124  | Related Party Disclosures                                       |
| AASB 139  | Recognition and Measurement of Financial Instruments            |
| AASB 1048 | Interpretation and Application of Standards                     |
| AASB 1054 | Australian Additional Disclosures                               |

The Group is a for-profit entity for the purpose of preparing the financial statements.

The financial statements have been prepared on an on-going basis and the owner of the Group confirms that it will provide support for the Group to continue to meet its debts as they fall due for at least the next twelve months from the date of signing these financial statements.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below.

The financial statements are presented in Australian Dollars. The financial statements are based on historical costs, except for the Group's investments, which have been measured at fair value. The Trust's investments are held at historical costs.

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## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 2 Summary of Significant Accounting Policies

##### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Trust and its subsidiaries.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### (c) Financial Instruments

###### (i) Classification

The Group's investments are classified at fair value through profit or loss. These are investments in equity instruments, known as investment in equity securities, that are not held for trading purposes. The Trust's investments are held at historical costs.

###### (ii) Recognition / derecognition

The Group recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement and recognises changes in the fair value of the financial assets or liabilities from this date.

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

###### (iii) Measurement

###### Financial assets at fair value through profit and loss

At initial recognition, the Group measures a financial asset at its fair value plus transaction cost.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes recognised in the statement of profit and loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price, and the quoted market price for financial liabilities is the current asking price.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2018**

### **2 Summary of Significant Accounting Policies**

#### **(c) Financial Instruments**

##### **(iii) Measurement**

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of discounted cashflow analysis, quoted comparable companies and market based transaction and other valuation techniques commonly used by market participants.

The ultimate holding entity of the Group is required to report the net market value of its assets in accordance to AAS25 (Financial Reporting for Superannuation Plans). Therefore the Group fair values its assets in accordance to AAS25. Under AAS25, the net market value is defined as the fair amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal.

##### **Loans**

Loan assets are measured initially at fair value and subsequently measured using the actual interest rate method, less any impairment losses. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at fair value decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

##### **(iv) Offsetting financial instruments**

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

#### **(d) Investment income**

Interest income is recognised on an accrual basis. The Group uses actual interest rate in calculating interest income from Eurobonds because the actual interest rate approximates the effective interest rate method, provided there are no transaction costs.

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

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

## Notes to the Financial Statements

### For the Year Ended 30 June 2018

#### 2 Summary of Significant Accounting Policies

**(f) Trade and other receivables**

Receivables represent Goods and Services Tax receivable from the Australian Taxation Office and interest on cash held at the bank accounts of the Group.

**(g) Expenses**

All expenses are recognised in profit or loss on an accrual basis.

**(h) Trade and other payables**

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not invoiced to the Group. Amounts are generally paid within 30 days of being recorded as payables.

The distribution amount payable to the unitholder as at the reporting date is recognised separately in the statement of financial position when the unitholder becomes presently entitled to the distributable income as per the Trust Deed.

**(i) Distributions to Unitholders**

In accordance with the Trust Deed, the Trust fully distributes its distributable income to its unitholder. Such distributions are determined by reference to the taxable income of the Trust.

**(j) Net assets attributable to unitholders**

Under the Trust Deed, units issued by the Trust provide the unitholder with the right to put them back to the Trust at the prevailing redemption price. Although the Trustee may suspend any applications and redemptions if it is in the best interests of the unitholder, the Trust has a contractual obligation to distribute its distributable income, in accordance with the Trust's constitution. As such, the net assets attributable to the unitholder is classified as a financial liability in the Statement of Financial Position.

Applications and redemptions do not incur any entry or exit fees.

**(k) Income tax**

Under the current legislation the Trust is not subject to income tax provided the unitholder is presently entitled to the income of the Trust and the Trust fully distributes its taxable income. Even though the Trust is exempt from income tax, the subsidiary of the Consolidated Group, SIH1 is not and SIH1's effect of income tax and deferred taxes are accounted as per the following:

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the period and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of the tax bases of assets and liabilities to the carrying amounts in the financial statements.

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

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2018**

### **2 Summary of Significant Accounting Policies**

#### **(k) Income tax**

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

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

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

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

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

#### **(m) Foreign currency transactions and balances**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. Accordingly, the consolidated financial statements are presented in Australian Dollars.

SIH1 maintains its accounting books and records in Pound Sterling (GBP) on the basis that SIH1's primary activity is investment in UK assets. The initial funds provided by the ultimate investor to SIH1 and investments in underlying UK assets have all been in GBP.

For statutory compliance and financial reporting purposes, SIH1 translates its financial records from Pound Sterling to Australian Dollars at the end of the reporting period. Balance sheet items are translated using the closing rate and profit and loss items are translated using the average rate for the reporting period. The rates used in translation are London 4pm rates, provided by JP Morgan as the Custodian of SAS Trustee Corporation, the ultimate holding entity of the Trust.

Exchange differences arising on translation are recognised in other comprehensive income as foreign currency translation reserve.

## Notes to the Financial Statements

For the Year Ended 30 June 2018

## 2 Summary of Significant Accounting Policies

## (n) Use of estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's financial instruments are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they periodically reviewed by experienced personnel of the independent valuer.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumption about these factors could affect the reported fair value of financial instruments.

## (o) New accounting standards and interpretations

At the date of this report, the Standards and Interpretations listed below were on issue but not yet effective. They are available for early adoption at 30 June 2018, but have not been applied in preparing these financial statements. The potential effect of the below Standards and Interpretations on the Group's financial statements has not yet been determined:

- AASB 9 'Financial Instruments', AASB 2010-7 and AASB 2014-7 'Amendments to Australian Accounting Standards arising from AASB 9'. Effective for annual reporting periods beginning on or after 1 July 2018.
- AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'. Effective for annual reporting periods beginning on or after 1 July 2018.

## 3 Interest Income

|                                   | Consolidated      |                   | State Infrastructure Trust |                   |
|-----------------------------------|-------------------|-------------------|----------------------------|-------------------|
|                                   | 2018              | 2017              | 2018                       | 2017              |
|                                   | \$                | \$                | \$                         | \$                |
| Intercompany Interest Income      | -                 | -                 | 21,474,456                 | 15,852,122        |
| Interest Income from Cash at Bank | -                 | 603               | -                          | 603               |
| Interest Income - Euro Bond       | 21,447,795        | 15,857,802        | -                          | -                 |
|                                   | <u>21,447,795</u> | <u>15,858,405</u> | <u>21,474,456</u>          | <u>15,852,725</u> |

The intercompany interest income from SIH1 was calculated and recognised as per the terms of the intercompany loan agreement between the Trust and SIH1.

The interest income accounted in SIH1 was calculated and recognised as per the terms of the Eurobonds.

## 4 Income Tax Expense / Benefit

Reconciliation of income tax to SIH1's accounting profit below:

# State Infrastructure Trust

ABN: 50 580 647 086

## Notes to the Financial Statements

For the Year Ended 30 June 2018

### 4 Income Tax Expense / Benefit

|  | State Infrastructure Holdings 1 Pty Ltd |
|--|---|
|  | 2018                                    |
|  | \$                                      |
| <b>Numerical reconciliation of income tax expense and tax at statutory rate:</b> |   |
| Profit / (loss) before income tax expense  | (59,649,218)                            |
| Tax at statutory rate of 30%   | <u>17,894,765</u>                       |
| <b>Income tax benefit / (expense)</b>  | <u><u>17,894,765</u></u>                |
|  | 2017                                    |
|  | \$                                      |
| <b>Numerical reconciliation of income tax expense and tax at statutory rate:</b> |   |
| Profit / (loss) before income tax expense  | 18,850,311                              |
| Tax at statutory rate of 30%   | <u>(5,655,093)</u>                      |
| <b>Income tax benefit / (expense)</b>  | <u><u>(5,655,093)</u></u>               |

### 5 Foreign Exchange Gain / Loss

|  | Consolidated      |                     | State Infrastructure Trust |                     |
|--|-------------------|---------------------|----------------------------|---------------------|
|  | 2018              | 2017                | 2018                       | 2017                |
|  | \$                | \$                  | \$                         | \$                  |
| Unrealised gain / (loss) on foreign currency translation | 15,651,349        | (13,071,089)        | 15,652,796                 | (13,077,816)        |
| Realised gain / (loss) on foreign currency translation   | 41,351            | (831,496)           | 40,764                     | (829,604)           |
|  | <u>15,692,700</u> | <u>(13,902,585)</u> | <u>15,693,560</u>          | <u>(13,907,420)</u> |

### 6 Intercompany Loan

|                          | Consolidated |          | State Infrastructure Trust |                    |
|--------------------------|--------------|----------|----------------------------|--------------------|
|                          | 2018         | 2017     | 2018                       | 2017               |
|                          | \$           | \$       | \$                         | \$                 |
| Loan to subsidiary       | -            | -        | 302,927,023                | 266,806,928        |
| Loan interest receivable | -            | -        | 8,135,343                  | 7,087,422          |
|                          | <u>-</u>     | <u>-</u> | <u>311,062,366</u>         | <u>273,894,350</u> |

No additional loan was provided to SIH1 by Trust during the financial year.

During the previous financial year, the Trust provided an additional loan of GBP 34,019,413 (\$59,601,307 @ 1.751979) to SIH1 to fund the acquisition of the Eurobonds investment. The loan was drawn on 8 May 2017.

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## State Infrastructure Trust

ABN: 50 580 647 086

# Notes to the Financial Statements

For the Year Ended 30 June 2018

## 6 Intercompany Loan

The terms of the loan mirrors the terms of the Eurobonds issued by Kelda Group. Repayment of the loan principal and accrued interest is due on the date of redemption of the Eurobonds.

## 7 Deferred Tax

The deferred tax recognised in the Consolidated Statement of Financial Position relates to the subsidiary company of the Group, SIH1.

The Trust fully distributes its taxable income to the unitholder and as a result is not subject to income tax.

### (a) Deferred Tax Asset

|  | SIH1              |                    |
|--|-------------------|--------------------|
|  | 2018              | 2017               |
|  | \$                | \$                 |
| <b>Deferred tax asset comprises temporary differences attributable to:</b>               |                   |                    |
| Amounts recognised in the income statement   |                   |                    |
| Unrealised loss / (gain) on investment [30% of \$52,454,309 (2017: 30% of \$10,428,747)] | 15,736,293        | (3,128,624)        |
|  | <u>15,736,293</u> | <u>(3,128,624)</u> |
| <i>Movements</i>   |                   |                    |
| Opening balance  | -                 | 3,339,542          |
| Credited to the income statement   | 15,736,293        | (3,128,624)        |
| Exchange differences   | -                 | (210,918)          |
| <b>Closing balance</b>   | <u>15,736,293</u> | <u>-</u>           |

### (b) Deferred Tax Liability

|  | SIH1             |                    |
|--|------------------|--------------------|
|  | 2018             | 2017               |
|  | \$               | \$                 |
| <b>Deferred tax liability comprises temporary differences attributable to:</b>         |                  |                    |
| Amounts recognised in the income statement   |                  |                    |
| Unrealised foreign exchange loss / (gain) [30% of \$1,487 (2017: 30% of \$6,727)]      | 446              | (2,018)            |
| Unrealised loss / (gain) on investment [30% of \$8,906,983 (2017: 30% of \$8,383,793)] | 2,672,095        | (2,515,138)        |
|  | <u>2,672,541</u> | <u>(2,517,156)</u> |
| <i>Movements</i>   |                  |                    |
| Opening balance  | (2,535,587)      | (1,299)            |
| Credited to the income statement   | 2,672,541        | (2,517,156)        |
| Exchange differences   | (139,944)        | (17,132)           |
| <b>Closing balance</b>   | <u>(2,990)</u>   | <u>(2,535,587)</u> |

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## State Infrastructure Trust

ABN: 50 580 647 086

## Notes to the Financial Statements

For the Year Ended 30 June 2018

### 8 Investments

#### Fair value of investment

|                                   | Consolidated       |                    |
|-----------------------------------|--------------------|--------------------|
|                                   | 2018               | 2017               |
|                                   | \$                 | \$                 |
| Opening Balance                   | 582,853,320        | 467,232,387        |
| Additions                         | -                  | 112,466,651        |
| Return of Capital                 | (1,014,120)        | (5,235,865)        |
| Interest Capitalised              | 21,394,524         | 15,857,801         |
| Fair Value Gain/(Loss)            | (59,682,006)       | 18,812,538         |
| Foreign Exchange Revaluation      | 31,146,224         | (26,280,192)       |
| <b>Balance as at 30 June 2018</b> | <b>574,697,942</b> | <b>582,853,320</b> |

For the purpose of managing and evaluating the performance of the investments, which comprise ordinary shares, preference shares and Eurobonds, the Trustee consider them as a group of assets.

New South Wales Treasury Corporation is the investment manager ("Manager") to SAS Trustee Corporation ("STC") for its investments in State Infrastructure Holdings 1 Pty Ltd. An independent valuer ("Valuer") is engaged by STC in respect of SIH1's investments. The Valuer considered a number of valuation methods including discounted cashflow analysis, quoted comparable companies and market-based transactions to determine the fair value of the investments.

Given the status of prevailing business conditions and the performance of the investment and the recommendation by the Manager, the Trustee, considers it prudent to hold the value of the investments in GBP terms, i.e. GBP 321,617,654 (\$574,697,942 at an exchange rate of 1.786898) [2017: GBP 344,184,211 (\$582,853,320 at an exchange rate of 1.693434)].

### 9 Trade and Other Payables

|                        | Consolidated |      | State Infrastructure Trust |       |
|------------------------|--------------|------|----------------------------|-------|
|                        | 2018         | 2017 | 2018                       | 2017  |
|                        | \$           | \$   | \$                         | \$    |
| Related party payables | -            | -    | 1,607                      | 1,607 |
|                        | -            | -    | 1,607                      | 1,607 |

### 10 Net Assets Attributable to Unitholder

#### (a) Units on issue

|  | State Infrastructure Trust |                    |                      |                    |
|--|----------------------------|--------------------|----------------------|--------------------|
|  | 2018                       |                    | 2017                 |                    |
|  | No of units                | \$                 | No of units          | \$                 |
| Units on issue at the beginning of the year  | 4,402,587,857              | 615,265,348        | 3,443,714,323        | 490,374,193        |
| Units issued during the year                 | 111,610,921                | 14,962,953         | 958,873,534          | 133,816,271        |
| Return of capital                            | -                          | (1,035,969)        | -                    | (8,925,116)        |
| <b>Units on issue at the end of the year</b> | <b>4,514,198,778</b>       | <b>629,192,332</b> | <b>4,402,587,857</b> | <b>615,265,348</b> |

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## State Infrastructure Trust

ABN: 50 580 647 086

## Notes to the Financial Statements

For the Year Ended 30 June 2018

### 10 Net Assets Attributable to Unitholder

#### (a) Units on issue

During the financial year, the Trust made a capital return of \$1,035,969 (2017: \$8,925,116) to its unitholder from the proceeds of the redemption of preference shares from the underlying investee company.

The Trust issued 111,610,921 units (2017: 125,690,636) as part of the reinvestment of the prior year distribution owing to its unitholders of \$14,962,953 (2017: \$17,461,446).

#### (b) Change in net assets attributed to unitholder

|  | Consolidated       |                    | State Infrastructure Trust |                    |
|--|--------------------|--------------------|----------------------------|--------------------|
|  | 2018               | 2017               | 2018                       | 2017               |
|  | \$                 | \$                 | \$                         | \$                 |
| Net assets attributable to unitholder at the beginning of the year | 565,382,325        | 457,331,845        | 590,226,442                | 478,413,178        |
| Units issued during the year                                       | 14,962,953         | 133,816,271        | 14,962,953                 | 133,816,271        |
| Return of capital  | (1,035,969)        | (8,925,116)        | (1,035,969)                | (8,925,116)        |
| Changes in net assets attributable to unitholder                   | (10,341,067)       | (16,840,675)       | 15,652,796                 | (13,077,891)       |
| <b>Closing net assets attributed to unitholder</b>                 | <b>568,968,242</b> | <b>565,382,325</b> | <b>619,806,222</b>         | <b>590,226,442</b> |

### 11 Fair Value Measurement

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Investments in equity securities

#### (a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

|         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.     |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3 | Unobservable inputs for the asset or liability.  |

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## Notes to the Financial Statements

For the Year Ended 30 June 2018

### 11 Fair Value Measurement

#### (a) Fair value hierarchy

The table below shows the assigned level for each asset and liability held at fair value by the Group:

|  | Level 1 | Level 2 | Level 3     | Total       |
|--|---------|---------|-------------|-------------|
|  | \$      | \$      | \$          | \$          |
| <b>2018</b>                              |         |         |             |             |
| <b>Recurring fair value measurements</b> |         |         |             |             |
| <b>Financial assets</b>                  |         |         |             |             |
| Investment                               | -       | -       | 574,697,942 | 574,697,942 |
| <b>Total</b>                             | -       | -       | 574,697,942 | 574,697,942 |
| <b>2017</b>                              |         |         |             |             |
| <b>Recurring fair value measurements</b> |         |         |             |             |
| <b>Financial assets</b>                  |         |         |             |             |
| Investment                               | -       | -       | 582,853,320 | 582,853,320 |
| <b>Total</b>                             | -       | -       | 582,853,320 | 582,853,320 |

#### (b) Valuation techniques used to derive level 2 and level 3 fair values

The Group obtains independent valuations at least annually for its investment. At the end of each reporting period, the Trustee in consultation with the Manager will update its assessment of the fair value of investments, taking in account the most recent independent valuations.

The valuation methodologies used by the independent valuer include discounted cash flow analysis and quoted comparable entities and market-based transactions.

All resulting fair value estimates for the investments are included in level 3.

### 12 Related Parties

#### (a) General information

Perpetual Corporate Trust Limited is the Trustee of State Infrastructure Trust.

The unitholder is SAS Trustee Corporation, a defined benefit superannuation fund.

NSW Treasury Corporation (TCorp) is the investment manager to SAS Trustee Corporation for its investments in the Group.

**State Infrastructure Trust**

ABN: 50 580 647 086

**Notes to the Financial Statements**

For the Year Ended 30 June 2018

**12 Related Parties****(b) Unitholders**

Details of the unitholder and unitholding are as follows:

**2018**

SAS Trustee Corporation

**Total**

| No. of units         | %             |
|----------------------|---------------|
| 4,514,198,778        | 100.00        |
| <b>4,514,198,778</b> | <b>100.00</b> |

**2017**

SAS Trustee Corporation

**Total**

|                      |               |
|----------------------|---------------|
| 4,402,587,857        | 100.00        |
| <b>4,402,587,857</b> | <b>100.00</b> |

**(c) Subsidiaries**

The consolidated financial statements include the financial statements of State Infrastructure Trust and the following subsidiaries:

|   | 2017<br>% of ownership<br>interest | 2016<br>% of ownership<br>interest |
|---|------------------------------------|------------------------------------|
| State Infrastructure Holdings 1 Pty Limited | 100.00                             | 100.00                             |

State Infrastructure Holdings 1 Pty Limited was incorporated on 17 December 2013.

**(d) Transactions with related parties**

All transactions between the Group and related parties have been at market value on normal commercial terms and conditions. This includes purchases and sales of investments as well as applications and redemptions of units.

**Loans to related parties**

The Trust provided a loan of GBP 94,921,655 (\$194,227,836 at an exchange rate of 2.046191) to State Infrastructure Holdings 1 Pty Ltd to fund the acquisition of the Eurobonds. The loan was drawn down on 29 January 2014.

The Trust provided an additional loan of GBP 34,019,413 (\$59,601,307 at exchange rate 1.751979) to State Infrastructure Holdings 1 Pty Ltd to fund the acquisition on additional Eurobonds. The loan was drawn down on 8 May 2017.

**(e) Key management personnel**

The Trust does not employ personnel in its own right. The Manager has managed the affairs of the Trust for the period reported on.

As at 30 June 2018 no key management personnel held units in the Trust.

Payments made from the Trust to the Trustee do not include any amounts directly attributable to key

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## State Infrastructure Trust

ABN: 50 580 647 086

## Notes to the Financial Statements

For the Year Ended 30 June 2018

### 12 Related Parties

#### (e) Key management personnel

management personnel remuneration.

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

No key management personnel of the Manager have entered into a material contract with the Trust during the period.

### 13 Reconciliation of profit / (loss) to net cash inflow / (outflow) from operating activities

|   | Consolidated |              | State Infrastructure Trust |              |
|---|--------------|--------------|----------------------------|--------------|
|   | 2018         | 2017         | 2018                       | 2017         |
|   | \$           | \$           | \$                         | \$           |
| a) Cash and cash equivalents as at the end of the reporting period                                  | 53,690       | 32,136       | -                          | -            |
| b) Reconciliation of net profit / (loss) for the period to net cash flows from operating activities |              |              |                            |              |
| Profit / (loss) for the year  | (4,613,095)  | 15,146,067   | 37,168,016                 | 2,025,170    |
| Cash flows excluded from profit attributable to operating activities                                |              |              |                            |              |
| Unrealised FX (gain) / loss   | (15,651,349) | 13,071,089   | (15,652,796)               | 13,077,816   |
| Realised FX (gain) / loss   | (41,351)     | 831,496      | (40,764)                   | 829,604      |
| Gain / (loss) on investments held at fair value through profit or loss                              | 59,682,006   | (18,812,538) | -                          | -            |
| Dividend  | -            | -            | -                          | (80,000)     |
| Interest revenue capitalised  | (21,447,795) | (15,857,802) | (21,474,456)               | (15,852,122) |
| Income tax benefits / (expenses)  | (17,894,765) | 5,655,093    | -                          | -            |
| (Increase) / decrease in GST receivable   | -            | 5,695        | -                          | 4,087        |
| (Increase) / decrease in interest receivable  | -            | 75           | -                          | 75           |
| Increase / (decrease) in fees payable   | -            | -            | -                          | 1,607        |
| Net foreign exchange difference   | (12,549)     | (6,341)      | -                          | -            |
| Cashflow from operations  | 21,102       | 32,834       | -                          | 6,237        |

### 14 Commitments and Contingencies

In the opinion of the Trustee, the Group did not have any commitments or contingencies at 30 June 2018.

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**State Infrastructure Trust**

ABN: 50 580 647 086

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2018**

**15 Events Occurring After the Reporting Date**

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

## State Infrastructure Trust

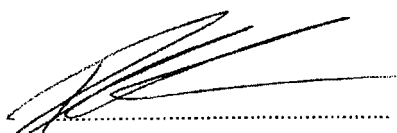
ABN: 50 580 647 086

### Manager Declaration

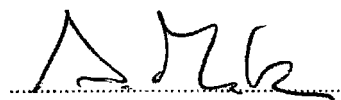
In the opinion of the Manager:

- (a) the financial statements and notes set out on page 1 to 18:
  - i) comply with the provisions of the Trust Deed and Australian Accounting Standards to the extent disclosed in Note 2 of the financial statements; and
  - ii) present fairly the Trust's financial position as at 30 June 2018 and of its performance for the period ended on that date.
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf of New South Wales Treasury Corporation in its capacity as Manager for State Infrastructure Trust.



RAFFI KALENDARIAN



STEVE MCKENNA

Sydney

Dated:

17/8/18

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## State Infrastructure Trust

ABN: 50 580 647 086

### Trustee Declaration

In the opinion of the Trustee:

- (a) the financial statements and notes set out on page 1 to 18:
  - i) comply with the provisions of the Trust Deed and Australian Accounting Standards to the extent disclosed in Note 2 of the financial statements; and
  - ii) present fairly the Trust's financial position as at 30 June 2018 and of its performance for the period ended on that date.
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf of the Trustee.



John O'Connell  
Senior Manager

Sydney

Dated 21 August 2018



**VALLEY COMMERCE PTY LTD**

**A.C.N. 004 530 787**

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

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## INDEPENDENT AUDITOR'S REPORT

### Valley Commerce Pty Ltd

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of Valley Commerce Pty Ltd (the Company) which comprise the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Company in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

## **The Directors' Responsibilities for the Financial Statements**

The Directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, unless the Company will be dissolved by an Act of Parliament or otherwise cease operations. The assessment must disclose, as applicable, matters relating to going concern and the appropriateness of using the going concern basis of accounting.

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

My objectives are to:

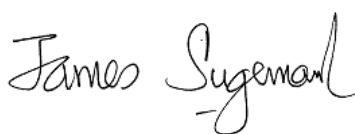
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Company carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



James Sugumar  
Director, Financial Audit Services

27 July 2018  
SYDNEY

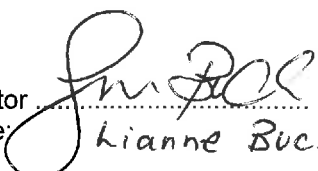
**VALLEY COMMERCE PTY LTD**  
**A.C.N. 004 530 787**  
**DIRECTOR'S STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2018**

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we declare on behalf of Valley Commerce Pty Limited that in our opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position of Valley Commerce Pty Ltd as at 30 June 2018 and financial performance for the year then ended.
2. The financial statements have been prepared in accordance with the Australian Accounting Standards including Australian Accounting Interpretations, the provisions of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 25<sup>th</sup> day of July 2018 in  
accordance with a resolution of the Directors.

Director   
Name: Lianne Buck

Director   
Name: RAFFI KALENDERIAN

**VALLEY COMMERCE PTY LTD**  
**A.C.N. 004 530 787**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2018**

|  | Note | 2018<br>\$ | 2017<br>\$ |
|--|------|------------|------------|
| Revenue  |      | -          | -          |
| Expense  |      | -          | -          |
| <b>Operating Result before Income Tax</b>      |      | -          | -          |
| Income tax expense                             |      | -          | -          |
| <b>Result for the year</b>                     |      | -          | -          |
| Other Comprehensive Income                     |      | -          | -          |
| <b>Total comprehensive income for the year</b> |      | -          | -          |

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

**VALLEY COMMERCE PTY LTD**  
**A.C.N. 004 530 787**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

|                          | Note | 2018<br>\$ | 2017<br>\$ |
|--------------------------|------|------------|------------|
| <b>Total assets</b>      |      | <u>-</u>   | <u>-</u>   |
| <b>Total liabilities</b> |      | <u>-</u>   | <u>-</u>   |
| <b>Net assets</b>        |      | <u>-</u>   | <u>-</u>   |
| <b>Equity</b>            |      |            |            |
| Contributed Equity       | 4    | 8          | 8          |
| Accumulated Losses       |      | (8)        | (8)        |
| <b>Total equity</b>      |      | <u>-</u>   | <u>-</u>   |

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

**VALLEY COMMERCE PTY LTD**  
**A.C.N. 004 530 787**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2018**

|   | Note | 2018<br>\$ | 2017<br>\$ |
|---|------|------------|------------|
| Equity at 1 July  |      | -          | -          |
| Result for the year   |      | -          | -          |
| Other comprehensive income for the year, net of tax                     |      | -          | -          |
| <b>Total comprehensive income for the year</b>                          |      | -          | -          |
| Transactions with equity holders in their capacity<br>as equity holders |      | -          | -          |
| <b>Total transactions with equity holders</b>                           |      | -          | -          |
| <b>At 30 June</b>   |      | -          | -          |

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

**VALLEY COMMERCE PTY LTD**  
**A.C.N. 004 530 787**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| <b>Cash flows from operating activities</b>                             |             |             |
| Net cash flows from operating activities                                | -           | -           |
| <b>Cash flows from investing activities</b>                             |             |             |
| Net cash flows from investing activities                                | -           | -           |
| <b>Cash flows from financing activities</b>                             |             |             |
| Net cash flows from financing activities                                | -           | -           |
| <b>Net increase/decrease in cash and cash equivalents</b>               | -           | -           |
| <b>Cash and cash equivalents at the beginning of the financial year</b> | -           | -           |
| <b>Cash and cash equivalents at the end of the financial year</b>       | -           | -           |

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



**VALLEY COMMERCE PTY LTD**

**A.C.N. 004 530 787**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2018**

**1. Reporting Entity**

Valley Commerce Pty Ltd (the Company) is a dormant entity. It is incorporated in Australia.

The Company is 100% owned by SAS Trustee Corporation (STC) as a special purpose entity set up for the purpose of having an ability to enforce the coal royalty rights owned by STC.

The Directors have determined the Company to be a for-profit entity for financial reporting purposes.

The financial statements were authorised by the Directors on 25th July 2018.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Company's financial statements are general purpose financial statements, which have been prepared on an accrual basis and in accordance with:

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2015*
- Australian Accounting Standards and Australian Accounting Interpretations

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest dollar and are expressed in Australian currency.

**Revenue Recognition**

Revenue is recognised when the entity gains control of the good or right to receive, it is probable that the economic benefits will flow to the entity and the amount of revenue can be measured reliably.

**Employee Benefits**

The Company has no employees.

**Accounting Standards Issued but not yet effective**

Management assessed the impact of Australian Accounting Standards and did not identify any material impact.

## VALLEY COMMERCE PTY LTD

A.C.N. 004 530 787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2018**3. Auditor's Remuneration**

|  | <b>2018</b>  | <b>2017</b>  |
|--|--------------|--------------|
|  | <b>\$</b>    | <b>\$</b>    |
| Fee for the audit of the financial statements to the Audit Office of NSW | 3,500        | 3,000        |
|  | <u>3,500</u> | <u>3,000</u> |

Audit Fees of the Company are paid for by the parent entity – SAS Trustee Corporation (STC).

**4. Contributed Equity**

Contributed equity continues to represent issued capital comprising 8 shares at \$1.00 each.

## VALLEY COMMERCE PTY LTD

A.C.N. 004 530 787

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2018**5. Contingent Liabilities**

The Company has no contingent liabilities at 30 June 2018 (2017: nil).

**6. Commitments for Capital or Lease Expenditure**

The Company has no commitment for capital or lease expenditure at 30 June 2018 (2017: nil).

**7. Key Management Personnel Compensation**

The key management personnel of the Company were the following Directors in office during the year ended 30 June 2018 and up to the date of signing these financial statements:

- Mr Raffi Kalenderian
- Ms Lianne Buck

The Directors did not receive any benefits from the Company or from any related entities in relation to the management of the Company.

**8. Related Party Information**

SAS Trustee Corporation owns 100% of the shares of the Company since 15 July 1997. As in prior years, there were no transactions between the Company and the parent entity except the payment of the audit and lodgement fee as below:

**Material Assistance Provided at no cost to the Company**

|                  | <b>2018</b>  | <b>2017</b>  |
|------------------|--------------|--------------|
|                  | <b>\$</b>    | <b>\$</b>    |
| Provided by STC: |              |              |
| • Lodgement fees | 254          | 249          |
| • Audit fees     | 3,500        | 3,000        |
|                  | <u>3,754</u> | <u>3,249</u> |

It is not practicable to reliably measure the value of assistance provided by staff of Deutsche Australia Limited (terminated 28 November 2016) or by the New South Wales Treasury Corporation from 28 November 2016 to the Company in relation to administrative, accounting and legal support.

**VALLEY COMMERCE PTY LTD**

**A.C.N. 004 530 787**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2018**

**9. Subsequent Events**

Directors are not aware of any matters or circumstances that have arisen since the end of the financial year which would have a material effect on the Company's financial statements as at 30 June 2018.

**End of Audited Financial Statements.**

## Appendix 1

### Statistical information about GIPA access applications received by or on behalf of State Super in 2017-18

**Table A: Number of applications by type of applicant and outcome\***

|   | Access granted in full | Access granted in part | Access refused in full | Information not held | Information already available | Refuse to deal with application | Refuse to confirm/deny whether information is held | Application withdrawn |
|---|------------------------|------------------------|------------------------|----------------------|-------------------------------|---------------------------------|--|-----------------------|
| Media   | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |
| Members of Parliament                                       | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |
| Private sector business                                     | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |
| Not for profit organisations or community groups            | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |
| Members of the public - application by legal representative | 86                     | 68                     | 0                      | 1                    | 0                             | 0                               | 0  | 0                     |
| Members of the public (others)                              | 100                    | 47                     | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |

\* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B

**Table B: Number of applications by type of application and outcome**

|   | Access granted in full | Access granted in part | Access refused in full | Information not held | Information already available | Refuse to deal with application | Refuse to confirm/deny whether information is held | Application withdrawn |
|---|------------------------|------------------------|------------------------|----------------------|-------------------------------|---------------------------------|--|-----------------------|
| Personal information applications*  | 185                    | 116                    | 0                      | 1                    | 0                             | 0                               | 0  | 0                     |
| Access applications (other than personal information applications)        | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |
| Access applications that are partly personal information and partly other | 0                      | 0                      | 0                      | 0                    | 0                             | 0                               | 0  | 0                     |

\* A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

**Table C: Invalid applications**

| Reason for invalidity   | Number of Applications |
|---|------------------------|
| Application does not comply with formal requirements (section 41 of the Act)  | 3                      |
| Application is for excluded information of the agency (section 43 of the Act) | 0                      |
| Application contravenes restraint order (section 110 of the Act)              | 0                      |
| Total number of invalid applications received                                 | 3                      |
| Invalid applications that subsequently became valid applications              | 1                      |

**Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act**

|   | Number of times consideration used * |
|---|--------------------------------------|
| Overriding secrecy laws   | 0                                    |
| Cabinet information   | 0                                    |
| Executive Council information   | 0                                    |
| Contempt  | 0                                    |
| Legal professional privilege  | 23                                   |
| Excluded information  | 0                                    |
| Documents affecting law enforcement and public safety   | 1                                    |
| Transport safety  | 0                                    |
| Adoption  | 0                                    |
| Care and protection of children   | 0                                    |
| Ministerial code of conduct   | 0                                    |
| Aboriginal and environmental heritage   | 0                                    |
| Information about complaints to Judicial Commission   | 0                                    |
| Information about authorised transactions under Electricity Network Assets (Authorised Transactions) Act 2015 | 0                                    |
| Information about authorised transaction under Land and Property NSW (Authorised Transaction) Act 2016        | 0                                    |

\* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

**Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act**

|  | Number of occasions when application not successful (3) |
|--|---|
| Responsible and effective government                                 | 0   |
| Law enforcement and security   | 0   |
| Individual rights, judicial process and natural justice              | 105   |
| Business interests of agencies and other persons                     | 0   |
| Environment, culture, economy and general matters                    | 0   |
| Secrecy provisions   | 0   |
| Exempt documents under interstate Freedom of Information legislation | 0   |

**Table F: Timeliness**

|  | Number of Applications |
|--|------------------------|
| Decided within the statutory timeframe (20 days plus any extensions) | 293                    |
| Decided after 35 days (by agreement with applicant)                  | 0                      |
| Not decided within time (deemed refusal)                             | 9                      |
| Total  | 302                    |

**Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)**

|   | Decision varied | Decision upheld | Total |
|---|-----------------|-----------------|-------|
| Internal review   | 0               | 0               | 0     |
| Review by Information Commissioner*                               | 0               | 0               | 0     |
| Internal review following recommendations under section 93 of Act | 0               | 0               | 0     |
| Review by NCAT  | 0               | 0               | 0     |
| Total   | 0               | 0               | 0     |

\* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

**Table H: Applications for review under Part 5 of the Act (by type of applicant)**

|  | Number of Applications for review |
|--|-----------------------------------|
| Applications by access applicants  | 0                                 |
| Application by persons to whom information the subject of access application relates (see section 54 of the Act) | 0                                 |

**Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)**

|                                 | Number of Applications transferred |
|---------------------------------|------------------------------------|
| Agency - initiated transfers    | 0                                  |
| Applicant - initiated transfers | 0                                  |

## Compliance index for disclosure requirements

In accordance with the Annual Reports (Statutory Bodies) Regulation 2015, this index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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## GLOSSARY

- **ECPI** means Exempt Current Pension Income.
- **Executive** means the executive staff of State Super.
- **HOGA** means the Heads of Government Agreement between the Federal and State Governments relating to state public sector superannuation schemes.
- **Mercer** means Mercer Administration Services (Australia) Pty Limited.
- **PSS** means Police Superannuation Scheme.
- **SANCS** means State Authorities Non-contributory Superannuation Scheme.
- **SASS** means State Authorities Superannuation Scheme.
- **SAS Trustee Corporation Pooled Fund** (also referred to as the STC Pooled Fund or Fund) means the amalgamated fund of the State Super Schemes referred to in s. 81 of the Superannuation Administration Act 1996.
- **StatePlus** means State Super Financial Services Australia Limited (trading as StatePlus).
- **SSS** means State Superannuation Scheme.
- **State Super** means SAS Trustee Corporation.
- **STC** means SAS Trustee Corporation.
- **TCorp** means New South Wales Treasury Corporation.
- **Trustee Board** means the Board of State Super, appointed under s. 69 of the Superannuation Administration Act 1996.

## Customer service

Between 8:30am and 5:30pm, Monday to Friday for the cost of a local call (unless calling from a mobile or pay phone).

|  |              |
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| State Authorities Superannuation Scheme (SASS) | 1300 130 095 |
| State Superannuation Scheme (SSS)              | 1300 130 096 |
| Police Superannuation Scheme (PSS)             | 1300 130 097 |
| Deferred benefit members                       | 1300 130 094 |
| Pension members                                | 1300 652 113 |

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|                       |  |
|-----------------------|--|
| <b>Fax</b>            | 02 4298 6688   |
| <b>Email</b>          | <a href="mailto:enquiries@stc.nsw.gov.au">enquiries@stc.nsw.gov.au</a> |
| <b>Postal address</b> | PO Box 1229<br>Wollongong NSW 2500                                     |

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## Personal interview service

Personal interviews are available by appointment only 9.00am to 5.00pm on Fridays at State Super, Level 16, 83 Clarence Street, Sydney, NSW 2000 and at selected StatePlus locations (Parramatta, Newcastle and Wollongong).

To arrange an appointment, call one of the Customer Service numbers above.

This report contains general information. Relevant information is subject to the State Authorities Superannuation Act 1987, the Superannuation Act 1916, the Police Regulation (Superannuation) Act 1906 and the State Authorities Non-contributory Superannuation Act 1987 that govern the schemes mentioned in this report and those Acts will prevail to the extent of any inconsistency. In preparing the report, SAS Trustee Corporation (STC) has not taken into account your objectives, financial situation or needs and you should consider your personal circumstances and possibly seek professional advice before making any decision that affects your future. To the extent permitted by law, STC, its Board members and employees do not warrant the accuracy, reliability or completeness of the information contained in or omitted in this report. STC cannot guarantee any particular rate of return and past investment performance is not a reliable guide to future investment performance.