PRIME SUPER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

PRIME SUPER
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PRIME SUPER
Statement of Financial Position
As at 30 June 2021

	Note	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents	16	14,331	23,019
Receivables	9	944	1,175
Investments			
Cash		470,253	709,202
Australian Shares	8	1,511,546	1,117,205
International Shares	8	1,565,205	1,117,718
Emerging Markets	8	353,108	282,646
Australian Fixed Interest	8	102,717	163,997
International Fixed Interest	8	418,805	346,991
Infrastructure	8	753,683	652,062
Property	8	448,379	412,675
Credit Opportunities	8	265,355	308,250
Private Equity	8	25,173	23,981
Absolute Return Strategies	8	310,776	21,035
Derivative assets	8	24,315	53,042
Property, plant and equipment		892	1,014
Total assets		6,265,482	5,234,012
Liabilities			
Payables	10	(7,742)	(6,029)
Income tax payable		(19,354)	(8,549)
Derivative liabilities	8	(25,193)	(17,283)
Deferred tax liabilities	13	(116,768)	(63,601)
Total liabilities excluding member benefits		(169,057)	(95,462)
Net assets available for member benefits		6,096,425	5,138,550
Member benefits			
Defined contribution member liabilities	3	(5,978,173)	(5,028,603)
Defined benefits member liabilities	4	(76,153)	(73,044)
Unallocated to members	3	(2,336)	(4,099)
Total member liabilities		(6,056,662)	(5,105,746)
Net assets		**39,763**	**32,804**
Equity			
Administration reserve	12	(6,030)	(5,527)
Investment reserve	12	(4,768)	(5,846)
Operational risk reserve	12	(15,599)	(13,042)
Defined benefits that are (over) funded		(13,366)	(8,389)
Total equity		**(39,763)**	**(32,804)**

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

PRIME SUPER
Income Statement
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Superannuation activities			
Interest		-	66
Dividend income		316,066	204,182
Changes in assets measured at fair value	11	711,222	(180,064)
Other income		13	137
Total superannuation activities income		**1,027,301**	**24,321**
Investment expenses		(16,848)	(20,197)
Administration expenses		(8,324)	(8,559)
Operating expenses	14	(16,205)	(16,677)
Total expenses		**(41,377)**	**(45,433)**
Net result from superannuation activities		**985,924**	**(21,112)**
Profit/(Loss) from operating activities		**985,924**	**(21,112)**
Less: Net benefits allocated to members' accounts		(884,142)	12,654
Less: Net change in defined benefit member liabilities		(8,735)	(4,633)
Profit/(loss) before income tax		**93,047**	**(13,091)**
Income tax (benefit)/expense	13	86,088	(14,201)
Profit after income tax		**6,959**	**1,110**

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

PRIME SUPER
Statement of Changes in Member Benefits
For the year ended 30 June 2021

	DC Members $'000	DB Members $'000	Total $'000
Opening balance of member benefits as at 1 July 2020	5,032,702	73,044	5,105,746
Contributions:			
Employer	330,466	3,079	333,545
Member	81,854	331	82,185
Transfer from other superannuation plans	91,099	-	91,099
Government co-contributions	562	-	562
Income tax on contributions	(47,137)	(404)	(47,541)
Net after tax contributions	**456,844**	**3,006**	**459,850**
Benefits to members/beneficiaries	(399,733)	(5,655)	(405,388)
Transfers from defined benefit to defined contribution accounts	2,767	(2,767)	-
Insurance premiums charged to members' accounts	(17,811)	(210)	(18,021)
Death and disability insurance benefits credited to members' accounts	21,598	-	21,598
Benefits allocated to members' accounts, comprising:			
Net investment income	909,822	12,697	922,519
Administration fees	(25,680)	(179)	(25,859)
Net change in DB member benefits	-	(3,783)	(3,783)
Closing balance of member benefits as at 30 June 2021	**5,980,509**	**76,153**	**6,056,662**

	DC Members $'000	DB Members $'000	Total $'000
Opening balance of member benefits as at 1 July 2019	5,033,699	78,279	5,111,978
Contributions:			
Employer	317,981	3,651	321,632
Member	59,917	384	60,301
Transfer from other superannuation plans	103,308	-	103,308
Government co-contributions	540	-	540
Income tax on contributions	(44,224)	(463)	(44,687)
Net after tax contributions	**437,522**	**3,572**	**441,094**
Benefits to members/beneficiaries	(438,464)	(1,586)	(440,050)
Transfers from defined benefit to defined contribution accounts	11,528	(11,528)	-
Insurance premiums charged to members' accounts	(21,401)	(326)	(21,727)
Death and disability insurance benefits credited to members' accounts	22,472	-	22,472
Benefits allocated to members' accounts, comprising:			
Net investment income	13,537	450	13,987
Administration fees	(26,191)	(280)	(26,471)
Net change in DB member benefits	-	4,463	4,463
Closing balance of member benefits as at 30 June 2020	**5,032,702**	**73,044**	**5,105,746**

The above statement of changes in member benefits should be read in conjunction with the accompanying notes.

PRIME SUPER
Statement of Changes in Reserves
For the year ended 30 June 2021

	Administration reserve $'000	Investment reserve $'000	Operational risk reserve $'000	Defined benefit Surplus $'000	Total equity $'000
Opening balance as at 1 July 2020	5,527	5,846	13,042	8,389	32,804
Net transfers to/from reserves	(540)	-	540	-	-
Profit/(loss)	1,043	(1,078)	2,017	4,977	6,959
Closing balance as at 30 June 2021	**6,030**	**4,768**	**15,599**	**13,366**	**39,763**

	Administration reserves $'000	Investment reserves $'000	Operational risk reserve $'000	Defined benefit Surplus $'000	Total equity $'000
Opening balance as at 1 July 2019	4,309	1,548	13,089	12,747	31,693
Net transfers to/from reserves	100	-	(100)	-	-
Profit/(loss)	1,118	4,298	53	(4,358)	1,111
Closing balance as at 30 June 2020	**5,527**	**5,846**	**13,042**	**8,389**	**32,804**

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

PRIME SUPER
Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Interest received		-	66
Insurance proceeds		21,598	22,472
Other general administration expenses		(22,354)	(25,701)
Other income		13	137
Insurance premiums		(18,071)	(24,347)
Investment expenses		(16,745)	(22,170)
Income tax paid		(22,116)	19,689
Net cash outflows from operating activities	16	(57,675)	(29,854)
Cash flows from investing activities			
Purchase of investments		(1,199,951)	(690,621)
Proceeds from sale of investment		1,194,638	727,999
Purchase of property, plant and equipment		(165)	(1,096)
Net cash outflows from investing activities		(5,479)	36,282
Cash flows from financing activities			
Employer contributions		333,545	321,632
Member contributions		82,185	60,301
Transfers from other superannuation plans received		91,099	103,308
Government co-contributions received		562	540
Benefits paid to members		(405,388)	(440,050)
Income tax paid on contributions received		(47,541)	(44,687)
Net cash inflows from financing activities		54,462	1,044
Net increase/(decrease) in cash		(8,688)	7,473
Cash at the beginning of the financial period		23,019	15,546
Cash at the end of the financial period	16	**14,331**	**23,019**

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

1. Operation of the Fund

Prime Super Fund (the "Fund") is a public offer defined contribution and defined benefit fund constituted by the Trust Deed dated 16 November 1993 (as amended). The Fund is domiciled and incorporated in Victoria, Australia. Its registered address is Level 24, 500 Collins Street Melbourne Victoria 3000. The Fund is operated for the purpose of providing its members' superannuation benefits on retirement.

Contributions of the employers and the employees are made in accordance with the terms of the Trust Deed. The members' accounts are credited or debited each year with contributions and their proportionate share of the net investment income, expenses and income tax expense of the Fund.

The Trustee of the Fund is Prime Super Pty Ltd ('the Trustee') and it is the holder of a public offer class Registrable Superannuation Entity Licence (licence no L0000277). In accordance with amendments to the Superannuation Industry (Supervision) Act 1993 the Fund was registered with the Australian Prudential Regulation Authority. The Fund was granted a MySuper licence on 12 April 2013.

2. Summary of significant accounting policies

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

(a) Basis of preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, the Superannuation Industry (Supervision) Act 1993 and regulations and the provisions of the Trust Deed.

The financials are presented in Australian Dollars and all values are rounded to the nearest $'000 except where otherwise indicated.

The Fund is a not-for-profit entity for the purpose of preparing financial statements.

The financial statements were approved by the Board of Directors of the Trustee, Prime Super Pty Ltd on 8th of September 2021.

(b) New accounting standards and interpretations

The Fund applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 July 2020. The nature of each standard and/or amendment is described below. The adoption of this standard and amendment has not had any significant financial impact on the financial statements.

COVID-19 Related Rent Concessions Amendments to AASB 16 Leases (applicable from 1 July 2020)

Due to COVID-19, AASB 16 was amended, allowing lessees to not account for rent concessions as lease modification, provided certain conditions are met. The amendment is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the beginning of the annual reporting period in which the lessee first applies the amendment.
Similar relief was not provided to lessors for several reasons, including the fact that AAB 16 did not introduce significant changes to lessor accounting.

The Fund has determined the above amendment does not have a material impact on the financial statements as a lease liability and right-of-use asset have not been recognised in the financial statements due to materiality.

Leases

The Fund has performed annual assessment on the impact of Amendments to AASB 16, which included:
- Reviewing all agreements to identify those which contain a lease or an embedded lease;
- Identifying those which have an option to extend and assessing the likelihood of the extension being exercised;
- Considering COVID 19 related impact; and
- Calculated the lease liability and corresponding right-of-use assets.

The Fund has determined that the adoption of AASB 16 and Amendments continue to be immaterial to the financial statements. A lease liability and right-of-use asset have therefore not been recognised, nor have the disclosure requirements within AASB 16. The Fund will continue to assess the impact of AASB 16 in future years.

AASB 2018-7 - Definition of material (applicable from 1 July 2020)
AASB 2018-7 amends AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition.

The amendments clarify that materiality will depend on the nature or magnitude of information.
The adoption of this standard did not have a material impact to the financial statements of the Fund.

2. Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Fund for the annual reporting period ended 30 June 2021. None of these are expected to have a material effect on the financial statements of the Fund.

(c) Financial assets and liabilities

Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9 Financial Instruments. In applying that classification, a financial asset or financial liability is considered to be held for trading if:
- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial asset
Financial assets measured at fair value through profit or loss (FVPL).

A financial asset is measured at FVPL if:
- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or

- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis.

The Fund includes in this category:
- Financial instruments held for trading. This includes all instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.
- Receivables including short-term receivables.

Financial liabilities
Financial liabilities measured at FVPL. A financial liability is measured at FVPL if it meets the definition of held for trading. The Fund includes, in this category derivative contracts in a liability position and all payables. The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

Financial instruments designated at fair value through profit or loss upon initial recognition
These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

2. Summary of significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

Receivables
Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category short-term receivables.

Other financial liabilities
This category includes all financial liabilities, other than those classified at fair value through profit or loss. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given their short-term nature other financial liabilities are measured at their nominal amount which approximates fair value.

Recognition

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

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

Derecognition

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

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

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

Initial measurement

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

Receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the income statement, unless specified otherwise.

Subsequent measurement

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

2. Summary of significant accounting policies (continued)

(d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to Note 8.

(e) Cash and cash equivalents

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

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

(f) Receivables and payables

Receivables are carried at nominal amounts which approximate their fair value. Receivables are normally settled within 30 days.

Payables are carried at nominal amounts which are approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid, when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled on 30 day terms.

(g) Revenue recognition

Recognition criteria described below must be met before revenue is recognised:

Changes in assets measured at fair value
Changes in the fair value of investments and derivatives are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

Interest
Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and is recognised in the income statement.

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

2. Summary of significant accounting policies (continued)

(h) Income tax

The Fund is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Act 1997. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income.

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

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

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

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

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

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

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

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

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

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

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

(i) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows.

2. Summary of significant accounting policies (continued)

(j) Investment properties

Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions, at the reporting date. Fair value is determined based on annual evaluation performed by an accredited external independent valuer, applying a valuation model recommended by the International Valuation Standards Committee. Gains or losses arising from changes in the fair value of investment properties are recognised in the income statement in the period which they arise.

Investment properties are derecognised when they have been disposed of or when they are permanently withdrawn from use and no further economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

(k) Foreign currency

The functional and presentation currency of the Fund is Australian Dollars, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated, and its liquidity managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

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

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

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

(l) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

Defined benefit member liabilities are measured as the amount of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

(m) Reserves

The Fund maintains an Operational risk reserve, in accordance with the requirements established by the Australian Prudential Regulatory Authority under Prudential Standard SPS 114 Operational Risk Financial Requirement, and also holds Administration and Investment reserves. The purpose of these additional reserves is set out in Note 12.

The purpose of the Operational risk reserve is to provide protection to the Fund in the event that a loss is incurred from an operational risk event. The use of the Operational risk reserve is governed by the requirements of SPS 114, which is applicable to all APRA regulated funds.

All reserves operate in accordance with the Fund's Reserving Policy and are held at Fund level.

(n) Significant accounting judgements and estimates and assumptions

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 about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

Fair Value of Investments

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using alternative valuation techniques. The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

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

2. Summary of significant accounting policies (continued)

(n) Significant accounting judgements and estimates and assumptions (continued)

Assessment as investment entity

Entities that meet the definition of an investment entity within AASB 10 Consolidated financial statements, are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The Fund has the following unconsolidated subsidiaries listed below together with the criteria which define an investment entity:

Unconsolidated subsidiary	Principal place of business	Ownership interest %
Nordic Windfarm Holdco Limited	United Kingdom	80
Saren Infrastructure AS	Norway	74.8
Royale Investment Trust	Australia	97.9
Infrastructure House Trust	Australia	100
50 Miller Street Trust	Australia	99.4
CitiLink Property Trust	Australia	100
PS Financing Trust	Australia	100
Mortons Lane Wind Farm	Australia	100

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund’s product disclosure statement details its objective of providing services to members which includes investing in equities, fixed income securities and private equity for the purpose of returns in the form of investment income and capital appreciation.

The Fund reports to its members via an annual report, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by AASB 1056 in the Fund’s annual report. The Fund has a clearly documented exit strategy for all of its investments.

The Trustee has also concluded that the Fund meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

The Trustee has therefore concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

Valuation of defined benefit member liabilities

The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions are in respect of member turnover, future investment returns, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

3. Defined contribution member liabilities

Member account balances are determined by crediting rates that are determined based on the underlying investment movements.

Members bear the investment risk relating to the underlying assets and crediting rates used to measure the member liabilities.

At 30 June 2021 $2,336,266 (2020: $4,099,151) has not been allocated to members' accounts. The amount not yet allocated to members' accounts consists of contributions and insurance proceeds received by the Fund that have not been able to be allocated to members' accounts.

Refer to Note 19 for the Fund's management of the investment risks.

Member liabilities vest 100% to members.	2021 $'000	2020 $'000
Member liabilities as at end of the financial year	5,978,173	5,028,603

4. Defined benefit member liabilities

(a) Defined benefit arrangements

The liability for accrued benefits is the present obligation to pay benefits to members and beneficiaries for those sub-plans operating as a defined benefit sub-plan and has been calculated on the basis of the present value of expected future payments which arise from membership of the Fund up to the relevant year end of that sub-plan. 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 Trustee has appointed an actuary for the Fund ("Fund Actuary") to conduct periodic comprehensive actuarial reviews on the valuations of accrued benefits.

The last actuarial triennial valuation was performed as at 1 January 2019. The next triennial actuarial valuation review is due to be performed as at 1 January 2022. However, the Trustee has brought forward this review to be performed as at 30 June 2021. Refer to Note 7 (a) for funding arrangement.

The liability for accrued benefits at the last triennial valuation date are set out below for the three defined benefits sub-plans:

		1 January 2019 $'000	
	Caulfield Grammar School	Geelong Grammar School	Xavier College
Liability for accrued benefits	47,264	6,261	21,922
Net assets available to pay benefits	50,261	7,943	26,445

All three defined benefits sub-plans were in a "satisfactory financial position" as at 1 January 2019 as defined in SIS legislation with assets in excess of vested benefits.

4. Defined benefit member liabilities (continued)

(b) Annual financial reporting of accrued liabilities

The Trustee engages the Fund Actuary on an annual basis to measure the defined benefit members liabilities. The Fund has no information that would lead to adjustments to the assumptions.

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. This annual assessment may result in an employer being required to make additional contributions to the Fund.

The key assumptions used to determine the values of accrued benefits for the Fund were:
- The future rate of investment earnings (net of investment taxes and fees)
- The future rate of salary growth

The Trustee has a number of steps in place to manage the risks associated with the defined benefit plan. The Trustee engages the Fund Actuary to advise on the risks, including establishing suitable funding objectives. These funding objectives and the defined benefit plan's circumstances are taken into account by the Fund Actuary when recommending the required employer contribution levels.

The Trustee also uses sensitivity analysis to monitor the potential impact of investment return changes to key variables about which assumptions need to be made. The Fund has identified two assumptions (being the investment return and the rate of salary adjustment) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities.

i. The assumed future rate of investment earnings has been determined by reference to investment returns expected on an investment portfolio that reflects the opportunities reasonably available to the Fund in the investment markets, and also reflects the Fund's actual investments and investment strategy in respect of defined benefit member liabilities.
In 2021, the investment return assumptions are based on Mercer's Capital market assumptions as at 30 June 2021 and the sub-plans' asset allocations in the MySuper and Conservative Growth options. The investment return assumption is based on each sub-plan's investment strategy.

ii. The assumed annual salary adjustment has been determined after discussion with the employer-sponsor. The assumption reflects current market rates for inflation, real economic growth, the share of economic growth of employees and promotional increases.
In 2021, Salary increase rate assumptions are based on the same assumptions as those adopted for each Schools' AASB 119 valuations, and represents the respective School's outlook for salary inflation. The key assumptions used in the calculation of accrued benefits as at 30 June 2021 are as follows:

	Investment return	**Salary increase rate**
Caulfield Grammar School	4.7% p.a.	3.5% p.a.
Geelong Grammar School	3.6% p.a.	2.0% p.a.
Xavier College	3.8% p.a.	2.5% p.a.

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include: mortality and disability rates and resignations rates.
The following are sensitivity calculations on a univariate basis for the investment return and rate of salary adjustment assumptions for the defined benefit plan.

Key assumption	**Reasonable possible change**	**DB-sub plans**	**Increase in member liabilities $'000**
		Caulfield Grammar School	439
Investment return	1% p.a. lower	Geelong Grammar School	191
		Xavier College	719
		Total	1,349
		Caulfield Grammar School	591
Salary adjustment rate	1% p.a. higher	Geelong Grammar School	150
		Xavier College	751
		Total	1,492

For financial reporting purposes, defined benefit members' benefits exclude those members' additional accumulation amounts as these amounts are reported as "DC member benefits" in the Statement of Changes in Members Benefits.
This financial reporting definition of defined benefit liabilities is used in the calculation and reporting of vested benefits and actuarial liabilities in respect of the defined benefit members.

4. Defined benefit member liabilities (continued)

(b) Annual financial reporting of accrued liabilities (continued)

	30 June 2021			
	Caulfield Grammar School $'000	Geelong Grammar School $'000	Xavier College $'000	Total $'000
Accrued defined benefit liabilities reported as DB members benefits	53,656	4,018	18,479	76,153

	30 June 2020			
	Caulfield Grammar School $'000	Geelong Grammar School $'000	Xavier College $'000	Total $'000
Accrued defined benefit liabilities reported as DB members benefits	49,159	4,376	19,509	73,044

(c) Net assets available to meet liabilities for accrued benefits of the defined benefits arrangements as at 30 June 2021:

	Note	2021 $'000	2,020 $'000
Caulfield Grammar School		57,920	52,664
Geelong Grammar School		6,574	6,017
Xavier College		25,025	22,752
Total net assets of the defined benefit sub-plans of the Fund		89,519	81,433

5. Defined benefits that are overfunded

	2021 $'000	2020 $'000
Prime Super defined benefit sub-plans	13,366	8,389

The Fund remains in surplus. The employer-sponsors are contributing at the rates recommended by the Actuary.

6. Guaranteed benefits

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

7. Funding arrangements

The funding policy adopted in respect of the Fund is directed in ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due.

As such, in framing employer contribution rates, the Fund Actuary has considered long-term trends in factors such as membership, salary growth, investment earnings and average market value of investments of the Fund. Thus, any difference between the Net Assets Available for Member Benefits and the Accrued Benefits has been anticipated.

For members with an accumulation account the percentage of salary or wages of employees prescribed as the rate of compulsory employer (Superannuation Guarantee) contributions between 1 July 2020 to 30 June 2021 was 9.50% (1 July 2019 to 30 June 2020: 9.50%). Member and additional employer contributions are paid to the Fund at a rate determined by the member and/or employer.

Employees with defined benefits contribute to the Fund at varying rates between 0% and 10% of salary for superannuation purposes. Employees may also make contributions to an accumulation account.

7. Funding arrangements (continued)

(a) Defined benefits arrangements

In determining employer and member contribution rates, the Fund Actuary has considered long-term trends in such factors as Fund membership, salary growth and the average market value of Fund assets.

i) Caulfield Grammar School

The Fund has received a report on the Actuarial Investigation dated 28 June 2019 from the Fund Actuary regarding the financial position of the sub-fund as at 1 January 2019. According to this report, the Plan was in a satisfactory financial position with the coverage of defined vested benefits increased from 108% at 1 January 2018 to 108.1% at 1 January 2019.

The main reasons for the decreased ratio of assets to vested benefits are the following items of negative experience:
- the Fund earned an investment return of -0.9% p.a which was lower than the long term rate adopted in the previous investigation of 5.7% p.a, largely offset by crediting rates lower than assumed.
- average salary growth of 3.9% p.a, which was higher than the assumed salary growth rate of 3.5% p.a. increases.

Therefore, the Fund Actuary recommended that the Employer continue to make regular contributions to the Fund of 10% of members' salaries, plus any salary sacrifice or deemed member contributions.

ii) Geelong Grammar School

The Fund has received a report on the Actuarial Investigation dated 28 June 2019 from the Fund Actuary regarding the financial position of the sub-fund as at 1 January 2019. According to this report, the Plan was in a satisfactory financial position with the coverage of defined vested benefits decreased from 128.4% at 1 January 2018 to 119.9% at 1 January 2019.

The main reasons for the decreased ratio of assets to vested benefits are the following items of negative experience:
- the Fund earned an investment return of -0.9% per annum which was lower than the long term rate adopted in the previous investigation of 5.5% p.a, and
- the backdated transfer of one member from Category B1 to Category A1.

The negative experience was partially offset by salary growth of 1.9% which was lower than assumed.

Based on the financial position as at 1 January 2019, the Fund Actuary recommends that it would be appropriate for Employer contributions (including deemed member contributions of 8% (Category A1) of salary from before-tax salary) for all defined benefit members to be met from the General Reserves (referred to as Reserve Account A in the Plan's rules) for the time being.

The Fund Actuary recommends that the Employer contributes at the following rates:

- Nil contributions for Category A1 (Defined Benefit)
- 10% of total salary, less group salary continuance premiums for Category A (Accumulation) members (subject to a minimum of 9.50% of ordinary time earnings)
- 9% of salary for Category B (Accumulation) members (subject to a minimum of 9.5% of ordinary time earnings)
- Member contributions from before-tax salary (other than Category A1 deemed member contributions met from the General Reserve)
- Any other contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).

iii) Xavier College

The Fund has received a report on the Actuarial Investigation dated 28 June 2019 from the Fund Actuary regarding the financial position of the sub-fund as at 1 January 2019. According to this report, the Plan was in a satisfactory financial position with assets in excess of 100% of Vested Benefits. The 120.8% coverage of Vested Benefits was also above the financing objective of 110% coverage adopted for this investigation.

The coverage levels as at 1 January 2019 were higher than the levels at the previous actuarial investigation.

The main item of positive experience was due to the reduction in the number of members from 90 to 69, which resulted in the excess of assets over accrued liabilities spread over a smaller membership.

This was partially offset by:

- Employer contributions less than the cost of benefits accruing, due to the recommended contribution holiday which commenced effective 1 January 2018;
- Investment earnings of 5.5% p.a, which were lower than the long term rate (5.7% p.a);
- Salary growth of 3.2% p.a which was higher than assumed (3.0% p.a)

7. Funding arrangements (continued)

iii) Xavier College (continued)

In this report, the Fund Actuary recommended that the Employer contributes at the following rates:

- Nil in respect of members aged under 65 from 1 January 2019; plus
- Award contributions of 2.5% of Ordinary Time Earnings in respect of members under age 65 who elected to have "Award" contributions made to the Plan; plus
- 7% of the excess, if any, of Ordinary Time Earnings over superannuation salary, in respect of members under age 65; plus
- 9.5% of Ordinary Time Earnings, less any amounts paid to other funds, in respect of members who have attained age 65; plus
- Member contributions from pre-tax salary; plus
- Any additional contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).

(b) Contribution levels

Each participating employer and member have set their contributions at levels that are within the maximum contributions allowed under the Income Tax Assessment Act.

Caulfield Grammar School, Xavier College and Geelong Grammar School have each set their Defined Benefit contribution rates, at minimum, according to the recommendations contained within their respective actuarial reports as set out in Note 7(a).

8. Fair value of financial instruments

(a) Classification of financial instruments under the fair value hierarchy

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

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	30 June 2021			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Australian Shares	1,502,201	9,336	10	1,511,547
International Shares	732,358	832,847	-	1,565,205
Australian Fixed Interest	59	102,658	-	102,717
International Fixed Interest	10,914	407,891	-	418,805
Emerging Markets	-	353,108	-	353,108
Property	35,733	-	412,646	448,379
Private Equity	2,312	-	22,861	25,173
Absolute Return Strategies	1,900	308,876	-	310,776
Credit Opportunities	2,084	74,910	188,361	265,355
Infrastructure	4,036	19,678	729,969	753,683
Derivative Assets	-	24,315	-	24,315
Derivative Liabilities	-	(25,193)	-	(25,193)
	2,291,597	**2,108,426**	**1,353,847**	**5,753,870**

	30 June 2020			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Australian Shares	1,111,251	5,944	10	1,117,205
International Shares	12,387	1,105,331	-	1,117,718
Australian Fixed Interest	117	163,880	-	163,997
International Fixed Interest	11,979	335,012	-	346,991
Emerging Markets	-	282,646	-	282,646
Property	-	-	412,675	412,675
Private Equity	130	-	23,851	23,981
Absolute Return Strategies	2,837	18,198	-	21,035
Credit Opportunities	4,133	59,169	244,948	308,250
Infrastructure	-	17,895	634,167	652,062
Derivative Assets	9,782	43,260	-	53,042
Derivative Liabilities	(381)	(16,902)	-	(17,283)
	1,152,235	**2,014,433**	**1,315,651**	**4,482,319**

8. Fair value of financial instruments (continued)

Valuation technique

Listed equities
When fair values of publicly traded equity securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are largely included within Level 1 of the hierarchy. The Fund values these investments at bid price for long positions and ask price for short positions. The Fund has identified listed equities as Australian Shares, International Shares and Infrastructure financial instruments.

Unlisted unit trusts
The Fund invests in these trusts which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. The Fund has identified these unlisted unit trusts as Australian Shares, International Shares, Emerging Markets, Australian Fixed Interest, International Fixed Interest, Property, Private Equity, Credit Opportunities, Infrastructure and Absolute Return Strategies financial instruments. The Fund considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the Net Asset Value ("NAV") of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the Fund is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the Fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the units of the Fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the Fund, the Fund classifies these funds as either Level 2 or 3.

Unlisted debt
The Fund invests in debt securities, corporate and government bonds which are classified as, Australian Fixed Interest, International Fixed Interest and Credit Opportunities financial instruments by the Fund. In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument’s terms. To the extent that the significant inputs are observable, the Fund categorises these investments as Level 2.

Private debt and equity investments, and unlisted equities
The Fund invests in private companies which are not quoted in an active market, which covers Australian Shares, Property, Private Equity, Credit Opportunities and Infrastructure financial instruments. Transactions in such investments do not occur on regular basis. The Fund uses a market based valuation technique for these positions. The Fund’s investment manager determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. The Fund classifies the fair value of these investments as Level 3.

Derivative assets and liabilities
The Fund uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within Levels 1 and 2.

Valuation process for Level 3 valuations

Valuations are the responsibility of the Board of Directors of the Trustee.
The valuation of these investments will generally require an assessment of their unobservable inputs, such as cash flows, investment terms, financial performance and outlook, comparable market transactions and an assessment of the relevant equity discount rates. As per the valuation policy, independent valuers are appointed to undertake this assessment and provide an estimate of the market value of these investment on at least an annual basis. The independent values are reviewed, and the results presented to the Board of Directors of the Trustee.

For financial instruments classified in Level 3 in the fair value hierarchy some of the inputs to the valuation models are unobservable and therefore subjective in nature. The use of reasonably possible alternative assumptions could produce a different fair value measurement.

Generally the categorisation within the fair value hierarchy is based on the inputs valuation techniques used to measure the fair value. The source of prices and valuation basis will vary depending on the security types. In principle, the observability and market activity determine the categorisation of an input.

Level 3 classification within the fair value hierarchy is determined using inputs that are not based on observable market data (i.e. unobservable inputs) or other Level 3 criteria are met. If a stock is in an inactive/illiquid market and is valued using models and internal data or if there is no vendor coverage for more than 365 days, then it is categorised as Level 3.

If the impact of using those alternative assumptions would cause the fair value of Level 3 assets to be higher or lower by 5% of the net assets of the Fund then the result for the year would have been higher or lower (in thousands) by $36,498 (2020: $31,708) for infrastructure, by $20,632 (2020: $20,634) for property, by $9,418 (2020: $12,247) for credit opportunities and by $1,143 (2020: $1,193) for private equity.

8. Fair value of financial instruments (continued)

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

Description	Level 3 $	Valuation technique	Significant inputs and its relationship to fair value
Australian Shares Property Private Equity Credit Opportunities Infrastructure	2021: $1,353,847 2020: $1,315,651	Discounted cash flow valuation	- Revenue cash flows - Expense cash flows - Debt financing - Equity discount rate - Terminal value of the asset
		Market comparables approach	- EV/EBITDA multiple of comparable listed entity - EV/EBITA multiple of comparable transaction - Asset-specific factors which affect the selling price of a comparable asset
		Market yield approach	- Yield spread - Asset-specific factors which affect the yield spread of comparable assets
		Net asset value based on value of of underlying investment	Similar to key inputs for discounted cash flow valuations and market comparables approach

(b) Level 3 reconciliation

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

30 June 2021	**Property**	**Infrastructure**	**Other ***	**TOTAL**
	$'000	**$'000**	**$'000**	**$'000**
Opening balance	412,673	634,168	234,325	1,281,166
Total realised/unrealised gains and (losses)	42,121	61,932	5,264	109,317
Purchases/Applications	2,226	58,456	1,516	62,198
Sales/Redemptions	(44,375)	(24,585)	(29,873)	(98,833)
Closing Balance	412,645	729,971	211,232	1,353,847

30 June 2020	**Property**	**Infrastructure**	**Other * #**	**TOTAL**
	$'000	**$'000**	**$'000**	**$'000**
Opening balance	365,617	481,313	226,086	1,073,016
Total realised/unrealised gains and (losses)	(16,870)	23,076	7,714	13,920
Purchases/Applications	80,533	145,931	50,098	276,562
Sales/Redemptions	(16,607)	(16,152)	(49,573)	(82,332)
Closing Balance	412,673	634,168	234,325	1,281,166

*Other includes Australian Equity, Credit Opportunities and Private Equity
Restated as an investment was reclassified prior year

(c) Transfers Between Hierarchy Levels

There has been no transfers between the levels of the fair value hierarchy during the financial year. (2020: $Nil)

9. Receivables

	2021 $'000	2020 $'000
Recoverable within 12 months		
GST receivable	288	424
Sundry debtors	-	182
Sundry receivables	568	569
Asset Deposit	88	-
	944	1,175

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Information regarding credit risk exposure is set out in Note 19.

10. Payables

	2021 $'000	2020 $'000
Insurance premiums payable	1,080	1,129
Investment management fees payable	1,055	952
Operating expenses payable	4,625	2,926
Provision for employee benefits	967	935
Sundry Creditors	15	87
	7,742	6,029

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 19.

11. Changes in assets measured at fair value

	2021 $'000	2020 $'000
Investments held at balance date		
Australian Shares	307,035	(24,886)
International Shares	233,412	(39,226)
Emerging Markets	68,452	(14,650)
Australian Fixed Interest	(6,493)	1,498
International Fixed Interest	(5,680)	6,778
Infrastructure	45,195	5,582
Property	19,377	(28,396)
Credit Opportunities	(28,530)	(2,968)
Private Equity	(216)	(5,000)
Absolute Return Strategies	20,524	510
Derivatives	6,149	19,068
Total unrealised gains/(losses)	659,225	(81,690)
Investments realised during the year		
Australian Shares	66,538	(93,380)
International Shares	(75,775)	(2,692)
Emerging Markets	1,449	121
Cash	(61)	(722)
Australian Fixed Interest	(1,286)	116
International Fixed Interest	12,892	(12,236)
Infrastructure	(38)	(349)
Property	(301)	(3,441)
Credit Opportunities	(93)	890
Private Equity	(3)	33
Absolute Return Strategies	207	(12,143)
Derivatives	48,468	25,429
Total realised gains/(losses)	51,997	(98,374)
Change in fair value of investments	711,222	(180,064)

The amounts recorded as ‘realised gains/(losses)’ above is the difference between the fair value at sale and the carrying amount at the beginning of the reporting period or when acquired, if acquired during the year.

12. Reserves

	2021 $'000	2020 $'000
Other reserves		
Administration reserve	6,030	5,527
Investment reserve	4,768	5,846
Defined benefits that over/(under) funded	13,366	8,389
	24,164	19,762
Operational risk reserve	15,599	13,042
	39,763	32,804

The purpose of the Operational risk reserve is to provide protection to the Fund in the event that a loss is incurred from an operational risk event. The use of the Operational risk reserve is governed by the requirements of SPS 114, which is applicable to all APRA regulated funds. The current Operational risk reserve represents approximately 0.25% (2020: 0.25%) of the total assets of the Fund. The Trustee intends to maintain this reserve at 0.25% of total assets.

The purpose of the Administration reserve is to cover operational expenses not met by fee deductions from members.
The Investment reserve is used to receive and distribute net investment income to members. Investment related expenses are met from this reserve.

13. Income tax

	2021 $'000	2020 $'000
(a) Major components of income tax expenses for the years ended 30 June 2021 and 30 June 2020:		
Income statement		
Current tax expense		
Current tax charged	32,325	(903)
Adjustments in respect of current income tax of previous years	265	4,025
Deferred tax		
Relating to origination and reversal of temporary differences	53,498	(17,323)
Total tax expense as reported in the income statement	86,088	(14,201)

	2021 $'000	2020 $'000
(b) Reconciliation between income tax expenses and the accounting profit before income tax		
Profit/(loss) from operating activities	93,047	(13,091)
Income tax at 15%	13,957	(1,964)
Non-deductible administration expenses	(11)	3
Derecognition of temporary differences	(892,877)	8,021
Net benefit allocated to member accounts	1,026,809	(9,224)
Assessable investment income	48,986	13,555
Non-assessable capital gains/(losses)	89,985	(15,749)
Non-assessable investment income	(178,966)	417
Exempt pension income	(9,484)	(504)
Net imputation and foreign tax credits	(12,576)	(12,781)
Under/(over) provision in the previous year	265	4,025
	86,088	(14,201)

13. Income tax (continued)

(c) Deferred Tax

	Opening Balance $'000	2021 (Charged) / Credited to income $'000	Closing Balance $'000
Deferred tax assets			
Fund expenses accrued but not incurred	419	841	1,260
	419	841	1,260
Deferred tax liabilities			
Income receivable	(254)	(309)	(562)
Unrealised gains on investments	(63,766)	(53,699)	(117,466)
	(64,020)	(54,008)	(118,028)
Net deferred tax (liability) / asset	(63,601)	(53,167)	(116,768)

	Opening Balance $'000	2020 (Charged) / Credited to income $'000	Closing Balance $'000
Deferred tax assets			
Fund expenses accrued but not incurred	1,569	(1,150)	419
	1,569	(1,150)	419
Deferred tax liabilities			
Income receivable	(541)	287	(254)
Unrealised gains on investments	(81,952)	18,186	(63,766)
	(82,493)	18,473	(64,020)
Net deferred tax (liability) / asset	(80,924)	17,323	(63,601)

The Fund offsets deferred tax assets and liabilities if and only if it has a legally enforceable right to offset current tax assets and current tax liabilities.

14. Operating expenses

	2021 $'000	2020 $'000
APRA & ASIC fees	604	517
Audit and taxation fees	669	541
Consulting fees	264	1,820
Actuarial fees	61	26
Depreciation, amortisation and impairment costs	290	324
Legal fees	192	406
Marketing expenses	395	435
Sponsorship and advertising expenses	1,640	1,979
Trustee expenses	11,603	10,224
Trustee and other liability insurance	21	22
Other administration expenses	466	383
	16,205	16,677

15. Auditors' remuneration

	2021 $	2020 $
Amount received or due and receivable by Ernst & Young for:		
Audit of financial statements and annual APRA forms	136,492	135,813
Agreed upon procedures for investments	13,150	12,933
Amount received or due and receivable by KPMG for:		
General internal audit services	321,334	137,261
Professional taxation services	230,251	264,819
	701,227	550,826

16. Cash flow statement reconciliation

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2021 $'000	2020 $'000
Cash and cash equivalents	14,331	23,019

Reconciliation of net cash from operating activities to net profit after income tax

	2021	2020
Profit / (loss) after income tax	6,959	1,110
Adjustments for:		
(Increase) / decrease in assets measured at fair value	(1,027,285)	(24,118)
Other non-cash items	281	325
(Increase) / decrease in insurance	3,527	(1,875)
Increase / (decrease) in payables	1,994	(2,763)
Increase / (decrease) in income tax payable	63,972	5,488
Allocation to members' accounts	892,877	(8,021)
Net cash outflows from operating activities	(57,675)	(29,854)

17. Segment information

The Fund operates solely in one reportable business segment, being the provision of superannuation benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. Whilst the Fund operates in Australia only, the Fund has investment exposures in different countries and across different industries. Revenue is derived from interest, dividends, gains on the sale of investments and unrealised changes in the value of investments.

18. Related party disclosures

(a) Trustee and Key Management Personnel

The Trustee of the Fund is Prime Super Pty Ltd and is a holder of a Registrable Superannuation Entity Licence (Licence No.L0000277).

The following people were directors of Prime Super Pty Ltd during the year ended 30 June 2021 and up to the date of signing these financial statements:

Nigel Alexander
Benedict Davis
Martin Day
Allison Harker
Jacqueline Kelly
Brett Lazarides
Gerard Parlevliet
Matthew Scholten
Gavin Watson

Other key management personnel of the Fund are:

Lachlan Baird - Chief Executive Officer and Company Secretary
Mark Ashburn - General Manager - Distribution
Jane Kang - General Manager - Investments
George Kogios - General Manager - Strategy
Remo Memmolo - Chief Operating Officer
Wendy Shang - General Counsel and Assistant Company Secretary
Helen Whitehead - General Manager - Marketing and Communications
Ann Wong - General Manager - Risk and Compliance

18. Related party disclosures (continued)

(b) Compensation of Key Management Personnel

	2021 $'000	2020 $'000
Short-term employee benefits (Salaries, Director fees, Annual Leave)	2,831	3,050
Post-employment benefits (superannuation)	251	274
Other long-term benefits (Long Service Leave)	14	25
Total Compensation	3,096	3,349

Compensation of key management personnel represents remuneration of the executive officers of the Fund and fees paid to each director of the Trustee for services rendered for the Fund.

Director's remuneration is paid by the Trustee and is reimbursed by the Fund.

There are no other transactions with key management personnel.

The following directors and key management personnel were members of Prime Super during the reporting period and up to the date of the financial statements:

Nigel Alexander
Mark Ashburn
Lachlan Baird
Martin Day
Allison Harker
Jane Kang
Jacqueline Kelly
George Kogios
Remo Memmolo
Gerard Parlevliet
Gavin Watson
Helen Whitehead
Ann Wong

Their membership terms and conditions are the same as those applied to other members of the Fund.

(c) Related Party Transactions

During the financial year the Fund has provided reimbursement for services rendered by Prime Super Pty Ltd, e.g. director fees and superannuation guarantee payments, allowances, training, director travel expenses, KPMG consulting fees and trustee liability insurance.

The following related party transactions occurred during the 2021 financial year.
(i) Trustee management fees to the value of $1,186,411 (2020: $1,387,538) were charged to Prime Super.
(ii) There is currently a receivable from Prime Super for $41,909 as at 30 June 2021 (2020: $35,989).

Remuneration for the ‘other key management personnel of the Fund’ is paid directly by Prime Super.

19. Financial risk management objectives and policies

(a) Introduction

The Fund's principal financial instruments comprise equities, private equity, units in unit trusts, fixed interest securities, infrastructure, properties and cash. The main purpose of these financial instruments is to generate a return on investment.

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

The Fund enters into derivative transactions, principally fixed interest futures and foreign exchange contracts, for the purpose of managing financial risks associated with the Fund's investment transactions, and as a means of effecting a change in the asset mix. Investments in derivatives are limited to the asset allocation limits for the underlying investment class.

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to credit risk, liquidity risk and market risk, including interest rate risk, equity price risk and foreign currency risk.

The Trustee recognises that there are risks arising from holding financial instruments. These risks are identified, monitored and managed by appropriately applying relevant controls. Oversight of these risks is carried out by the Trustee through the Investment Committee with advice from an external investment adviser and internal management.

The Trustee is responsible for identifying and controlling the risks that arise from these financial instruments. The Trustee reviews and agrees policies for managing each of these risks as summarised below. The Trustee also monitors the market price risk arising from all financial instruments.

This information is prepared and reported to the Trustee on a regular basis.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or when a number of counterparties are engaged in similar business activities, have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, the Trustee monitors its exposure to ensure concentrations of risk remain within acceptable levels as per the Fund's Investment Policy Statement and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

The Fund's accounting policies in relation to derivatives are set out in Note 2.

(b) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. As a means of mitigating the risk of financial loss, the Fund has adopted the policy of spreading the aggregate value of transactions concluded amongst approved counterparties with at least investment grade qualities. The Fund's exposure and the credit ratings of its counterparties are monitored by the Trustee.

Credit risk arising on investments is mitigated by extensive pre-appointment due diligence on investment managers, specific investment agreements, appropriate monitoring and benchmark analysis.

The Fund does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. It is the opinion of the Trustee that the carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date. There are no financial assets that are past due or impaired.

19. Financial risk management objectives and policies (continued)

(b) Credit Risk (continued)

The following table outlines Standard and Poor's rating categories for direct investments of the Fund held in cash and cash equivalents as reflected on the statement of financial position. The rating category included in the table is that applicable to this Fund. The table excludes any rating categories applicable to the underlying assets of the pooled unit trusts and for other interest bearing securities where a rating is not publicly available.

Direct investments	AAA to AA-	A+ to A	BBB+ to BB-	Unrated Unit Trusts / Cash	Total
2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	14,331	-	-	-	14,331
Managed funds/Cash	485,528				485,528
Australian Fixed Interest	82,073			20,644	102,717
International Fixed Interest	21,682	50,193	248,601	98,329	418,805
Credit Opportunities	-	-	48,159	217,196	265,355
Total	**603,614**	**50,193**	**296,760**	**336,169**	**1,286,736**

Direct investments	AAA to AA-	A+ to A	BBB+ to BB-	Unrated Unit Trusts / Cash	Total
2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	23,019	-	-		23,019
Managed funds/Cash	709,202	-	-		709,202
Australian Fixed Interest	163,880	-	-	117	163,997
International Fixed Interest	23,448	90,169	138,170	95,204	346,991
Credit Opportunities			75,067	233,183	308,250
Total	**919,549**	**90,169**	**213,237**	**328,504**	**1,551,459**

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund's financial instruments include investments in unlisted investments that are not traded in an organised public market which generally may be illiquid. As a result, there is a risk that the Fund may not be able to liquidate all of these investments at their fair value in order to meet its liquidity requirements. This risk is controlled through the Fund's investment monitoring and policies that ensures the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Fund's significant financial liabilities are payables, current tax liabilities and members' liabilities.

The Fund manages its obligation to pay the defined contribution and defined benefit components on an expected maturity basis based on management's estimates and past experience of when such funds will be drawn down by members. The Fund considers it is highly unlikely that all defined contribution members will request to roll over their superannuation fund at the same time.

Other financial liabilities of the Fund comprise insignificant trade and other payables which are typically settled within 30 days.

Year ended 30 June 2021	Less than 1 month $'000	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
Member liabilities	6,056,662	-	-	-	-	6,056,662
Payables	7,742	-	-	-	-	7,742
Current tax liability	19,354	-	-	-	-	19,354
Derivatives	1,191	7,594	14,538	1,393	477	25,193
Total	**6,084,949**	**7,594**	**14,538**	**1,393**	**477**	**6,108,951**

Year ended 30 June 2020	Less than 1 month $'000	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
Member liabilities	5,105,746	-	-	-	-	5,105,746
Payables	6,029	-	-	-	-	6,029
Current tax liability	8,549	-	-	-	-	8,549
Derivatives	2,991	5,210	4,333	2,636	2,113	17,283
Total	**5,123,315**	**5,210**	**4,333**	**2,636**	**2,113**	**5,137,607**

19. Financial risk management objectives and policies (continued)

(d) Market risk

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument (or its issuer) or factors affecting all instruments in the market. Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Market risk comprises three types of risk:
- interest rate risk,
- currency risk, and
- other price risk

(i) Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest bearing financial instruments. The Fund has set investment allocation ranges to meet its objectives of holding a balanced portfolio, including limits on investments in interest bearing assets, which are monitored regularly.

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease with all other variables held constant is used when reporting interest rate risk internally to the Trustee and represents the Trustee's assessment of the possible change in interest rates. The analysis is performed on the same basis as for 2020 and is not guaranteed.

The change in interest rates approximates the volatility as measured by the change in the RBA cash rate. This information is then adjusted for reasonableness under current economic circumstances.

	Change in variables:		Effect on: Profit after income tax		Effect on: Net assets available for member benefits	
	2021	2020	**2021**	2020	**2021**	2020
	+ / -	+ / -	**$'000**	$'000	**$'000**	$'000
Interest rate risk						
Variable interest securities	**0.50%**	0.50%	**1,009**	970	**1,009**	970
Fixed interest securities	**0.50%**	0.50%	**(7,466)**	(4,578)	**(7,466)**	(4,578)
Swap	**0.50%**	0.50%	**811**	1,225	**811**	1,225
Total			**(5,646)**	(2,383)	**(5,646)**	(2,383)
Interest rate risk						
Variable interest securities	**-0.50%**	-0.50%	**(1,008)**	(969)	**(1,008)**	(969)
Fixed interest securities	**-0.50%**	-0.50%	**7,469**	4,579	**7,469**	4,579
Swap	**-0.50%**	-0.50%	**(811)**	(1,225)	**(811)**	(1,225)
Total			**5,650**	2,385	**5,650**	2,385

(ii) Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The currency risk disclosures do not take into account the foreign exchange exposures as a result of direct investments denominated in Australian dollars and not on a look through basis. Currency risks in the unit trusts are managed by the respective managers of the unit trusts.

19. Financial risk management objectives and policies (continued)

(d) Market risk (continued)

The Fund's statement of financial position and income statement can be affected by movements in foreign currencies (USD, GBP, EUR, YEN and other currencies) when translated to AUD. The Fund manages its exposure to foreign currency risk and mitigates effects of its foreign currency translation exposure by adhering to the Fund's Investment Policy Statement which limits the portion of the Fund's assets which can be invested in different currencies in addition to taking out foreign exchange contracts. Prime Super's targeted level of foreign exposure is monitored on an ongoing basis and adjusted from time to time in accordance with any meaningful changes in business risk estimates or assessments regarding the medium-term outlook for the Australian dollar.

The table below indicates the currencies to which the Fund had significant exposure at 30 June 2021 on its monetary assets and liabilities and forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian Dollar on the statement of financial position, with all other variables held constant where a +10%/-10% change in currency rate represents a depreciation/appreciation of the Australian Dollar relative to the foreign currency.

	2021		2020	
Currency	**Change in currency rate %**	**Profit after income tax $'000**	Change in currency rate % %	Profit after income tax $'000
USD	+10	(6,238)	+10	8,421
Euro	+10	2,885	+10	2,537
Yen	+10	(2,118)	+10	1,232
GBP	+10	637	+10	93
Other	+10	(7,819)	+10	(1,386)

	2021		2020	
Currency	**Change in currency rate %**	**Profit after income tax $'000**	Change in currency rate % %	Profit after income tax $'000
USD	-10	6,238	-10	(8,421)
Euro	-10	(2,885)	-10	(2,537)
Yen	-10	2,118	-10	(1,232)
GBP	-10	(637)	-10	(93)
Other	-10	7,819	-10	1,386

The change in currency rates used approximates the volatility as measured by a weighted basket of foreign exchange rate movements over the period between 1993 and 2021.

(iii) Other Price Risk
Other price risk is the risk that the fair value of investments decreases or increases as a result of changes in market prices, whether those changes are caused by factors specific to the individual share price or factors affecting all equity instruments in the market. Equity price risk exposure arises from the Fund's investment portfolio.

To limit price risk the Trustee diversifies its investment portfolio in line with the Fund's Investment Policy Statement. The majority of equity investments are of a high quality, and are publicly traded on recognised, reputable exchanges. The Trustee monitors the Fund's exposure to various indices on an ongoing basis throughout the year ensuring the policy is not breached.

The effect on the income statement due to a reasonably possible change in market factors, as represented by the equity indices, with all other variables held constant is indicated in the table below.

	2021		2020	
Index/Benchmark	**Change in %**	**Effect on net assets / $'000**	Change in %	Effect on net assets / Investment $'000
Australian Shares	13.80 / (13.80)	177,304 / (177,304)	13.05 / (13.05)	123,926 / (123,926)
International Shares	12.85 / (12.85)	170,960 / (170,960)	12.50 / (12.50)	118,758 / (118,758)
Emerging Markets	17.00 / (17.00)	51,024 / (51,024)	17.25 / (17.25)	41,443 / (41,443)
Cash	00.25 / (00.25)	0,999 / (0,999)	00.50 / (00.50)	3,014 / (3,014)
Australian Fixed Interest	04.00 / (04.00)	3,492 / (3,492)	04.00 / (04.00)	5,576 / (5,576)
International Fixed Interest	05.25 / (05.25)	18,689 / (18,689)	03.00 / (03.00)	8,848 / (8,848)
Derivatives -Net	00.00 / (00.00)	00,000 / (00,000)	00.00 / (00.00)	00,000 / (00,000)
Property	06.00 / (06.00)	22,867 / (22,867)	06.00 / (06.00)	21,046 / (21,046)
Infrastructure	07.75 / (07.75)	49,649 / (49,649)	07.25 / (07.25)	40,183 / (40,183)
Credit Opportunities	07.50 / (07.50)	16,916 / (16,916)	07.00 / (07.00)	18,341 / (18,341)
Private Equity	15.00 / (15.00)	3,210 / (3,210)	15.00 / (15.00)	3,058 / (3,058)
Absolute Return Strategies	06.50 / (06.50)	17,170 / (17,170)	06.25 / (06.25)	1,117 / (1,117)

The sensitivity analysis calculation for the infrastructure and other unlisted investments is determined based on the total of the unlisted unit trusts, investment linked insurance policies and private equity and equities within these investments.

19. Financial risk management objectives and policies (continued)

(e) Climate risk

While the Fund's operations do not generate material greenhouse gas emissions and are not directly exposed to physical climate change risk, climate risk is a relevant consideration for many of the entities the Fund invests in (both listed and unlisted). The performance of these companies is vital to the Fund and its members from an investment return perspective, to the broader economy and in contributing to the wellbeing of the wider community in which the Fund operates.

The Fund, as a responsible investor, believes it is critical that the companies it invests in embrace and adopt a robust and rigorous approach to:

- Mitigating and managing climate change risks,
- Identifying and maximising climate change generated opportunities, and
- Reporting on how they are managing in a timely manner the physical and transitional risks associated with climate change and a de-carbonising economy.

The Fund publishes a Climate Risk report on its website which has been prepared taking into consideration the Taskforce for Climate Related Financial Disclosures (TCFD) recommendations. This report details the Fund's investment governance, strategy, risk management and options for members with respect to climate change risk. Across the fund, while the Fund does not have a broad policy of divesting or negatively screening sectors or companies other than within dedicated options that provide for member choice, this analysis found that the Fund's portfolios have low exposure to direct climate change risks.

The fund actively influences companies through proxy voting, and outcomes through direct investments. In addition, Prime Super makes information available to members on climate change risks, disclosure standards and risk management approaches.

20. Insurance

The Fund provides death and disability benefits to members. These benefits are greater than the members' vested benefits and as such the Trustee has a group policy in place with a third party to insure death and disability benefits in excess of vested benefits. The Trustee acts as an agent for these arrangements.

21. Commitments and contingent liabilities

The Fund has no commitments or contingent liabilities.

22. Coronavirus (COVID-19) impact

COVID-19 continues to have significant impact on global economies and equity, debt and commodity markets. The Australian Federal Government's temporary measures on allowing individuals to access up to $10,000 of their superannuation ceased with effect from December 2020.

The Trustee has considered the impact of COVID-19 and other market volatility in preparing its financial statements.

Key statements of financial position items and related disclosures that have been considered in light of COVID-19 are as follows:

(i) Investments

The Trustee has reviewed the appropriateness of the inputs to its valuations and confirms that the Fund's investment portfolio of unlisted equity investments has been valued in accordance with the Fund's accounting policies and are measured at FVPL.

(ii) Defined Benefit Liabilities

The Trustee has reviewed the appropriateness of the inputs to its defined benefit liability valuation. The impact of changes in valuation inputs has also been considered in terms of the disclosures around changes in actuarial assumptions and the impact this has on the Fund's deficit/surplus. Refer to Note 4 for more information.

(iii) Risk management

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

23. Significant events after balance date

There have been no other matters or circumstances which have arisen that have significantly affected or may significantly affect the financial position or operating results of the Fund.

TRUSTEE STATEMENT

In the opinion of the Trustee of Prime Super Fund:

(i) the accompanying financial statements of Prime Super Fund are properly drawn up so as to present fairly the financial position of the Fund as at 30 June 2021 and the results of their operations and cash flows for the year ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia; and

(ii) the Fund has been conducted in accordance with its constituent Trust Deed dated 16 November 1993 (as amended) and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations and the Corporations Act 2001 and Regulations during the year.

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

Signed at Melbourne this 8th day of September 2021.

Director

Director

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Part 1 – Independent Auditor's report on financial statements

Independent Auditor's report approved form for an RSE which is a reporting entity

Prime Super ABN 60 562 335 823

Report by the RSE Auditor to the trustee

Opinion

I have audited the financial statements of Prime Super for the year ended 30 June 2021 comprising the statement of financial position, income statement, statement of changes in member benefits, statement of cash flows and statement of changes in reserves.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Prime Super as at 30 June 2021 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2021.

Basis for Opinion

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

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

Responsibilities of the trustees for the Financial Statements

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

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

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

John MacDonald
Ernst & Young
Melbourne

8 September 2021