

**CARE Super**

**A.B.N. 98 172 275 725**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 June 2021**

**CARE Super**  
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**CARE Super**  
**Statement of Financial Position**  
**As at 30 June 2021**

	Note	2021 \$ '000	2020 \$ '000
<b>Assets</b>			
Cash and cash equivalents	13	99,960	47,446
Receivables	5	2,381	1,701
Financial assets	4		
Cash & short-term deposits held for investing activities		2,839,952	2,186,430
Capital guaranteed		191,688	157,067
Australian shares		4,658,488	3,512,685
Overseas shares		5,170,304	4,025,696
Alternatives		3,968,964	3,453,776
Fixed interest		1,117,475	933,889
Property		1,850,806	1,937,432
Derivative assets		1,126,765	1,578,289
Income tax receivable		-	23,140
Property, plant and equipment	6	6,170	8,054
Right-of-use assets	7	26,742	29,479
Deferred tax assets	11	4,619	4,072
<b>Total assets</b>		<b><u>21,064,314</u></b>	<b><u>17,899,156</u></b>
<b>Liabilities</b>			
Payables	8	(37,777)	(40,721)
Income tax payable		(50,623)	-
Deferred tax liabilities	11	(418,298)	(268,944)
Lease liabilities	7	(27,434)	(28,894)
Lease provisions		(1,418)	(1,418)
Derivative liabilities	4	(1,236,792)	(1,336,451)
<b>Total liabilities excluding member benefits</b>		<b><u>(1,772,342)</u></b>	<b><u>(1,676,428)</u></b>
<b>Net assets available for member benefits</b>		<b><u>19,291,972</u></b>	<b><u>16,222,728</u></b>
<b>Member benefits</b>			
Allocated to members		(19,065,395)	(16,092,576)
Unallocated to members		(12,803)	(19,891)
Total member liabilities	3	<u>(19,078,198)</u>	<u>(16,112,467)</u>
<b>Net assets</b>		<b><u>213,774</u></b>	<b><u>110,261</u></b>
<b>Equity</b>			
General reserve		(166,253)	(69,607)
Operational risk reserve		(47,521)	(40,654)
<b>Total equity</b>		<b><u>(213,774)</u></b>	<b><u>(110,261)</u></b>

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

**CARE Super**  
**Income Statement**  
**For the year ended 30 June 2021**

	Note	2021 \$ '000	2020 \$ '000
<b>Superannuation activities</b>			
Interest		44,435	64,222
Dividends and distributions		466,170	582,884
Net changes in fair value of financial instruments	9	2,613,689	(683,141)
Other investment income		3,658	7,681
Other income		3,828	1,477
<b>Total superannuation activities income</b>		<b>3,131,780</b>	<b>(26,877)</b>
Investment expenses		(51,499)	(66,257)
Administration expenses		(11,191)	(12,035)
Operating expenses	19	(47,746)	(43,250)
<b>Total expenses</b>		<b>(110,436)</b>	<b>(121,542)</b>
<b>Result from superannuation activities before income tax expense</b>		<b>3,021,344</b>	<b>(148,419)</b>
Income tax (benefit)/expense	11	263,527	(57,321)
<b>Result from superannuation activities after income tax expense</b>		<b>2,757,817</b>	<b>(91,098)</b>
Net (benefits)/losses allocated to members' accounts		(2,654,275)	35,792
<b>Operating result after income tax</b>		<b>103,542</b>	<b>(55,306)</b>

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

**CARE Super**  
**Statement of Changes in Member Benefits**  
**For the year ended 30 June 2021**

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Opening balance of member benefits</b>	16,112,467	16,146,940
Contributions:		
Employer	835,732	806,973
Member	237,936	186,615
Transfers from other superannuation plans	475,696	449,299
Government contributions	1,279	1,341
Income tax on contributions	(124,679)	(115,646)
<b>Net after tax contributions</b>	<b>1,425,964</b>	<b>1,328,582</b>
Benefits paid to members/beneficiaries	(1,110,204)	(1,345,252)
Insurance premiums charged to members' accounts	(75,858)	(81,029)
Death and disability insurance entitlements credited to members' accounts	71,554	99,018
Benefits allocated to members' accounts, comprising:		
Net investment income	2,697,475	6,075
Net administration fees	(43,200)	(41,867)
<b>Closing balance of member benefits</b>	<b>19,078,198</b>	<b>16,112,467</b>

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

**CARE Super**  
**Statement of Changes in Reserves**  
**For the year ended 30 June 2021**

	<b>General reserve \$ '000</b>	<b>Operational risk reserve \$ '000</b>	<b>Total equity \$ '000</b>
<b>Opening balance as at 1 July 2020</b>	69,607	40,654	110,261
Net transfers to/from reserves	-	(29)	(29)
Operating result	96,646	6,896	103,542
<b>Closing balance as at 30 June 2021</b>	<b>166,253</b>	<b>47,521</b>	<b>213,774</b>

	<b>General reserve \$ '000</b>	<b>Operational risk reserve \$ '000</b>	<b>Total equity \$ '000</b>
<b>Opening balance as at 1 July 2019</b>	125,868	39,699	165,567
Net transfers to/from reserves	(955)	955	-
Operating result	(55,306)	-	(55,306)
<b>Closing balance as at 30 June 2020</b>	<b>69,607</b>	<b>40,654</b>	<b>110,261</b>

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

**CARE Super**  
**Statement of Cash Flows**  
**For the year ended 30 June 2021**

	Note	2021 \$ '000	2020 \$ '000
<b>Cash flows from operating activities</b>			
Interest received		44,435	64,222
Dividend and Distribution received		188,316	582,884
Insurance proceeds (inwards)		71,554	99,018
Other income		3,658	2,603
Administration expenses		(11,191)	(12,035)
General Operating expenses		(45,526)	(43,770)
Investment expenses		(55,685)	(53,558)
Insurance premiums (outwards)		(69,325)	(81,004)
Income tax refunds/(paid)		(40,958)	75,497
Sale/(Purchase) of fixed assets		1,177	(5,690)
<b>Net cash inflow/(outflow) from operating activities</b>	13	<b>86,455</b>	<b>628,167</b>
<b>Cash flows from investing activities</b>			
Purchases of investments		(819,197)	(1,074,234)
Proceeds from sale of investments		477,435	462,406
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(341,762)</b>	<b>(611,828)</b>
<b>Cash flows from financing activities</b>			
Employer contributions		835,732	806,973
Member contributions		237,936	186,615
Transfers from other superannuation plans received		475,696	449,299
Government contributions received		1,279	1,341
Benefits paid to members		(1,118,143)	(1,343,430)
Income tax paid on contributions received		(124,679)	(115,646)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>307,821</b>	<b>(14,848)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>52,514</b>	<b>1,491</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>47,446</b>	<b>45,955</b>
<b>Cash and cash equivalents at the end of the financial year</b>	13	<b>99,960</b>	<b>47,446</b>

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

**CARE Super**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

## **1. Operation of the Fund**

CARE Super is a defined contribution superannuation fund and was established by Trust Deed dated 18 December 1986. The Fund has both accumulation members and retirement members. Under the terms of the Fund's declaration of trust CARE Super Pty Ltd (A.B.N. 91 006 670 060) is appointed trustee. CARE Super Pty Ltd is a company limited by shares that is incorporated and domiciled in Australia. The registered office of CARE Super Pty Ltd is located at Level 6, 447 Collins Street, Melbourne, Victoria, Australia. The members' accounts are credited or debited with contributions and their proportionate share of the net investment income, expenses, and income tax expense of the Fund.

In accordance with the amendments to the *Superannuation Industry (Superannuation) Act 1993* the Fund was registered with the Australian Prudential Regulation Authority on 18 December 1986 (Registration number 125703943).

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

Unless covered in other notes to the financial statements, the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Superannuation Industry (Supervision) ('SIS') Act 1993 and Regulations* and the provisions of the Trust Deed. The financial statements are presented in Australian currency.

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

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The financial statements were authorised for issue by the Board of Directors of the Trustee on 15 September 2021.

### **(b) Accounting standards and interpretations**

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

### **Other significant accounting policies**

#### **(c) Consolidation**

The Fund is an investment entity and, as such, does not consolidate the entities it controls.

#### **(d) Financial assets and liabilities**

##### *(i) Classification*

The Fund's financial investments are classified at fair value through profit or loss in accordance with AASB 1056 *Superannuation Entities*.

##### *Financial assets and liabilities held at fair value through profit or loss*

The Fund classifies its investments based on its business model for managing those financial instruments and the contractual cash flow characteristics of the financial instruments. The Fund's portfolio of financial instruments is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund uses fair value information to assess performance of the portfolio and to make decisions to rebalance the portfolio or to realise fair value gains or minimise losses through sales or other trading strategies. The Fund's policy is for the Trustee to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

Equity securities, unlisted unit trusts and derivatives are measured at fair value through profit or loss. For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

##### *(ii) Recognition / derecognition*

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

Investments are derecognised when the right to receive cash flows from the investments has expired or has been transferred and the Fund has transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. Any gains or losses arising on derecognition of the asset or liability (calculated as the difference between the disposal proceeds and the carrying amount of the asset or liability) are included in the Income Statement in the reporting period that the asset or liability is derecognised as realised gains or losses on financial instruments.



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

### **(d) Financial assets and liabilities (continued)**

#### *(iii) Measurement*

##### *Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately in the income statement.

Subsequent to initial recognition, all financial assets and financial liabilities held at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities held at fair value through profit or loss are presented in the Income Statement within 'net gains/(losses) on financial instruments held at fair value through profit or loss' in the period in which they arise.

#### **(e) 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 is 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 4.

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

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and short-term deposits with an original maturity of three months or less that are readily convertible to cash, and 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 cash equivalents held by the Fund.

Cash and cash equivalents held for investing activities is reported separately on the Statement of Financial Position.

#### **(g) Receivables and payables**

Receivables may include amounts for dividends, interest and trust distributions and are measured at fair value. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(k) below. Amounts are generally received within 30 days of being recorded as receivables.

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period and are measured at fair value. These amounts are unsecured and are usually paid within 30 days of recognition.

#### **(h) Due from/to brokers**

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date. These amounts are recognised initially at fair value and subsequently measured at fair value.

#### **(i) Benefits paid/payable**

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

#### **(j) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. During the 2020 financial year, the depreciation methodology used for property, plant and equipment was revised from diminishing value to straight line to better reflect the economic benefit of the current assets. Due to the nature of the change it had been applied prospectively and prior year(s) reporting was not restated. The estimated useful lives range from two to ten years.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss.

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

### **(j) Property, plant and equipment (continued)**

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

#### *Changes in 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 tax expense in the income statement.

### **(l) Contributions received and transfers from other superannuation funds**

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

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

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

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

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

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

### **(n) 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.

### **(o) Foreign currency transactions and balances**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund and its subsidiaries operates ("the functional currency"). The financial statements are presented in Australian Dollars, which is the Fund's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses arise from the settlement of such transactions and from the translations at year end exchange rates of monetary items denominated in foreign currencies. Amounts are recognised in the period in which they arise within other income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at balance date. Translation differences on assets and liabilities carried at fair value are reported in the income statement on a net basis within net changes in fair value of financial instruments.

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

### (p) Reserves

The Fund maintains an Operational Risk Reserve, in accordance with the requirements established by APRA under Prudential Standard SPS 114 Operational Risk Financial Requirement, and also holds a General Reserve.

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 occurring. 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 24.64 bps (2020: 25.06 bps) of the net assets of the Fund. The Trustee has an Operational Risk Financial Requirement target of 25 basis points. A tolerance limit of 20 basis points has also been set, above which the Operational Risk Reserve must be maintained.

The General Reserve represents that pool of funds required to meet the general operating and administration costs of the Fund and any unexpected or otherwise unforeseeable operating costs that may arise. Administration levies are deducted from members' accounts to fund the Reserve. It also receives and distributes net investment earnings, (that is, income and capital gains from investments less tax and other relevant deductions). The General Reserve may be used to fund approved expenses, projects, system development or other costs as determined by the Fund where there is a benefit to members over the long term.

The General Reserve also includes unallocated surplus/(deficits) such as tax liability and investment fee accrual timing differences, as well as unit pricing spread differences (differences in investment assets and member liabilities due to the use of a sell price). At 30 June 2021, the unallocated surplus is \$47.909 million, while the equity within the General Reserve is \$118.344 million.

Transfers in and out of the reserves are made only at the authorisation of the Trustee and in accordance with the Fund's Reserving Policy.

### (q) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

### (r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period and have not been early adopted by the Fund. None of these are expected to have a material effect on the financial statements of the Fund.

### (s) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

### (t) Reclassification of financial information

Where necessary, comparative information has been reclassified to achieve consistency with current period disclosures.

## 3. Member liabilities

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

Defined contribution member account balances are measured using unit prices determined by the Trustee based on the underlying investment option values selected by members, net of a calculated estimate of transaction costs incurred in disposing of investments assets (the unit price sell spread).

The defined contribution members bear the investment risk relating to the underlying investment options. Unit prices used to measure defined contribution member liabilities are updated daily for movements in investment values.

At 30 June 2021 \$12,803,000 (2020: \$19,891,000) has not been allocated to members as at the end of the reporting period. The amount not yet allocated to members' accounts consists of contributions received by the Fund that have not been able to be allocated to members' accounts as at the end of the reporting period.

Refer to Note 16 for the Fund's management of investment risks.

Member liabilities vest 100% to members.

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Members' liabilities</b>		
Allocated to members	19,065,395	16,092,576
Unallocated to members	12,803	19,891
Member liabilities at end of the financial year	<u>19,078,198</u>	<u>16,112,467</u>
As compared to net assets available to pay benefits	<u>19,291,972</u>	<u>16,222,728</u>

## **4. Financial assets and liabilities**

### **(a) Asset classes**

The investments of CARE Super are aggregated by asset class. The asset classes are broadly consistent with the asset classes listed in the Fund's Investment Guide, which is a supplement to the Product Disclosure Statement, released 1 July 2021. The Fund separately discloses the value of derivative assets and liabilities, which may be used in various asset classes.

#### *Cash & short-term deposits held for investing activities*

Cash investments include cash, term deposits (with terms normally less than one year) and marketable discount securities including bank accepted bills, commercial paper and short-term fixed interest securities.

#### *Capital guaranteed*

This asset class invests in the AMP Capital Guaranteed Savings Account, which is a portfolio of cash and fixed interest investments wherein the capital and credited accrued interest are guaranteed by AMP Life Limited not to be reduced by negative investment returns.

#### *Australian shares*

Investments in Australian shares are equity securities listed on the Australian Securities Exchange (ASX) which represent part ownership in a company.

#### *Overseas shares*

Investments in Overseas shares are equity securities listed on various international securities exchanges which represent part ownership in a company.

#### *Alternatives*

Alternative investments is a broad term used to describe a range of different types of investments. The Fund groups these into four broad categories:

- Infrastructure: These are mainly equity holdings in airports, transmission networks, telecommunications infrastructure, ports and rail.
- Private Equity: These investments comprise mainly equity holdings in unlisted companies, ranging from those in an early stage of development to more mature businesses seeking capital restructure, change of ownership or expansion.
- Credit: This asset class comprises investments in debt instruments that typically pay an interest rate that is floating. Examples of credit investments include direct loans made to companies, securitised bank loans, mortgage-backed securities and infrastructure debt.
- Absolute return: This asset class involves a mix of investment strategies which invest predominantly across fixed interest, credit and currency markets. The objective of this asset class is to produce a return in excess of cash over the long term, but with less volatility than would be expected from shares.

#### *Fixed interest*

Fixed interest investments (or bonds) are interest-bearing debt securities issued by governments and large corporations. They represent loans made to borrowers for a pre-determined period, for which regular interest payments are received.

#### *Property*

Property investments include commercial, industrial and retail real estate assets. These investments generate a return through rental income and by increases (or decreases) in capital value over time.

#### *Derivative Assets / Liabilities*

These derivative assets and liabilities represent Over The Counter (OTC) and exchange traded derivative securities, including futures, forward foreign exchange contracts, options, warrants and swaps. Derivative securities comprise the assets and liabilities of various asset classes of the Fund, but are aggregated and disclosed separately in the Financial Statements.

### **(b) Fair value hierarchy**

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

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

The levels in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgements after considering factors specific to the instrument as set out in Note 4(c).

#### 4. Financial assets and liabilities (continued)

##### (b) Fair value hierarchy (continued)

###### Recognised fair value measurements

The table below sets out the level of the fair value hierarchy within which the fair value measurements of the Fund are categorised.

Types of assets/liabilities	30 June 2021			Total \$ '000
	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	
<b>Assets</b>				
Cash and Short Term Deposits Held for Investing Activities	2,274,446	565,506	-	2,839,952
Capital Guaranteed	151,598	40,090	-	191,688
Australian Shares	4,657,556	-	932	4,658,488
Overseas Shares	3,647,438	1,522,866	-	5,170,304
Alternatives	136,554	1,207,789	2,624,621	3,968,964
Fixed Interest	65,738	1,051,737	-	1,117,475
Property	21,190	-	1,829,616	1,850,806
Derivative Assets	-	1,126,765	-	1,126,765
<b>Total Assets</b>	<b>10,954,520</b>	<b>5,514,753</b>	<b>4,455,169</b>	<b>20,924,442</b>
<b>Liabilities</b>				
Derivative Liabilities	-	1,236,792	-	1,236,792
<b>Total Liabilities</b>	<b>-</b>	<b>1,236,792</b>	<b>-</b>	<b>1,236,792</b>

Types of assets/liabilities	30 June 2020			Total \$ '000
	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	
<b>Assets</b>				
Cash and Short Term Deposits Held for Investing Activities	1,961,900	224,530	-	2,186,430
Capital Guaranteed	157,067	-	-	157,067
Australian Shares	3,508,460	4,225	-	3,512,685
Overseas Shares	2,843,235	1,182,461	-	4,025,696
Alternatives	136,142	1,127,278	2,190,356	3,453,776
Fixed Interest	53,963	879,926	-	933,889
Property	15,543	10	1,921,879	1,937,432
Derivative Assets	2,915	1,575,374	-	1,578,289
<b>Total Assets</b>	<b>8,679,225</b>	<b>4,993,804</b>	<b>4,112,235</b>	<b>17,785,264</b>
<b>Liabilities</b>				
Derivative Liabilities	2,812	1,333,639	-	1,336,451
<b>Total Liabilities</b>	<b>2,812</b>	<b>1,333,639</b>	<b>-</b>	<b>1,336,451</b>

###### Transfers Between Hierarchy Levels

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

Certain unlisted investments have been reclassified from Level 2 to Level 3 within the fair value hierarchy to better reflect the inputs to valuation techniques used to measure the fair value of these assets in accordance with AASB 13 Fair Value Measurement. Comparatives have been updated for consistency year on year and these are not considered a transfer between levels.

##### (c) Valuation process and techniques used to derive fair value

The Fund has an Asset Valuation Policy which sets out its approach to determining the carrying value of investment assets. The Asset Valuation Policy describes the Fund's use of asset valuations calculated by investment managers or other third parties. The Trustee-appointed Investment Committee is responsible for the oversight of the valuation process.

Valuation of unlisted investment assets is conducted by the Fund's investment managers, or their administrators or responsible entities, notwithstanding that the ultimate responsibility lies with the Trustee. The inputs used to calculate valuations for these investments include net asset value ('NAV'), discounted cash flow models and observable transactions in similar securities.

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.

Information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used) is detailed below.

###### 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 included within Level 1 of the hierarchy. The Fund values these investments at market close price (i.e. the last traded price).

#### 4. Financial assets and liabilities (continued)

##### (c) Valuation process and techniques used to derive fair value (continued)

###### *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 and redemption gating. 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 NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds 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 shares 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 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 Level 2.

###### *Holdings of Pooled Investment Vehicles*

Some of the Fund's holdings of investments via pooled investment vehicles are classified as Level 3 in the Fair Value Hierarchy disclosure. This is due to the valuations of these vehicles being calculated using inputs that are not based on observable market inputs. Oversight of the valuation of external investment managers is achieved through regular review of valuation policies of the Fund's custodian and investment managers, to ensure they are consistent with the Fund's principles. Through its due diligence processes, the Trustee ensures the asset valuation standards of its investment managers follow industry guidelines. Assets classified as Level 3 are across the property, infrastructure, private equity and credit investments of the Fund.

###### *Direct Holdings in Unlisted Equity*

The Fund carries a small exposure to direct holdings in unlisted equity securities. These are classified as Level 3 in the Fair Value Hierarchy disclosure as the securities are not actively traded on an exchange and the valuation of these holdings is not observable through on-market transactional data. Valuation of the Fund's direct equity holdings is conducted according to the Asset Valuation Policy. Direct holdings in unlisted equity securities are valued using market multiples of comparable listed or unlisted companies. These valuations are conducted at least annually by a suitably qualified independent valuer. The independent valuer is periodically rotated. The Fund holds an interest in Members Equity Bank Limited (ME Bank) which is included in this type of financial asset. Due to the sale of this interest in ME Bank pending completion as at 30 June 2021, this financial asset is valued with reference to the sale consideration receivable by the Fund.

###### *COVID-19 considerations for the fair value of Level 3 investments*

The COVID-19 pandemic has had, and continues to have, a significant impact on the general business environment and financial markets. The Trustee's evaluation of Level 3 investment valuations has included further consideration relating to the economic implications of the COVID-19 pandemic and the measures taken to contain it.

Estimating the valuation implications of COVID-19 for the Fund's Level 3 investments has required considerable judgement by the external investment managers and the Trustee. The valuation of the Fund's Level 3 investments is based on data available at the time of the relevant valuation which may change as circumstances and events continue to unfold. The Fund's Level 3 investment valuations will continue to be closely monitored through the COVID-19 pandemic. Valuations are updated when new information becomes available or circumstances change, in accordance with the Fund's Asset Valuation Policy and will be reflected in member balances at the time.

##### (d) Level 3 investments

30 June 2021	Australian Shares \$ '000	Alternatives \$ '000	Property \$ '000	Total \$ '000
Opening balance	-	2,190,356	1,921,879	4,112,235
Transfers into / (out of) Level 3	-	-	-	-
Purchases/(sales)	981	123,996	(144,615)	(19,638)
Gains/(losses)	(49)	310,269	52,352	362,572
<b>Closing Balance</b>	<b>932</b>	<b>2,624,621</b>	<b>1,829,616</b>	<b>4,455,169</b>

30 June 2020	Australian Shares \$ '000	Alternatives \$ '000	Property \$ '000	Total \$ '000
Opening balance	-	2,228,614	1,981,668	4,210,282
Transfers into / (out of) Level 3	-	-	-	-
Purchases/(sales)	-	81,277	1,766	83,043
Gains/(losses)	-	(119,535)	(61,555)	(181,090)
<b>Closing Balance</b>	<b>-</b>	<b>2,190,356</b>	<b>1,921,879</b>	<b>4,112,235</b>

###### *Changes in valuation techniques*

There have been no changes to asset valuation techniques during the year.

**4. Financial assets and liabilities (continued)**

**(d) Level 3 investments (continued)**

*Valuation inputs and relationships to fair value*

The Fund's Level 3 fair value investments comprise investments in Australian shares, unlisted alternative investment assets and investment properties.

The significant unobservable inputs used in Level 3 fair value measurements are summarised below:

Description	Fair value as at 30 June 2021 \$ '000	Fair value as at 30 June 2020 \$ '000	Key unobservable Inputs*	Range of inputs (Weighted average) 2021	Range of inputs (Weighted average) 2020
<b>Australian Shares</b>	932	-	Current market transactions	Increased/(decreased) market transactions price (+/-10%) would increase/(decrease) fair value by \$93,200	-
	<b>932</b>	<b>-</b>			
<b>Alternatives</b>	1,070,832	826,629	Unlisted trust unit price / Limited partnership capital account balance	Increased/(decreased) unit price/account balance (+/-10%) would increase/(decrease) fair value by \$107,083,166	Increased/(decreased) market transactions price (+/-10%) would increase/(decrease) fair value by \$82,662,862
	1,215,140	1,056,574	Unlisted company unit price / Limited partnership capital account balance	Increased/(decreased) unit price/account balance (+/-10%) would increase/(decrease) fair value by \$121,514,056	Increased/(decreased) unit price/account balance (+/-10%) would increase/(decrease) fair value by \$105,657,394
	338,649	307,154	Limited partnership capital account balance	Increased/(decreased) account balance (+/-10%) would increase/(decrease) fair value by \$33,864,907	Increased/(decreased) account balance (+/-10%) would increase/(decrease) fair value by \$30,715,384
	<b>2,624,621</b>	<b>2,190,356</b>			
<b>Property</b>	1,829,616	1,921,879	Unlisted trust unit price	Increased/(decreased) unit price (+/-10%) would increase/(decrease) fair value by \$182,961,600	Increased/(decreased) unit price (+/-10%) would increase/(decrease) fair value by \$192,187,900
	<b>1,829,616</b>	<b>1,921,879</b>			

\* There were no significant inter-relationships between unobservable inputs that may materially affect the fair values.

**4. Financial assets and liabilities (continued)**

**(e) Offsetting financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the tables below.

<b>Effects of offsetting on the statement of financial position</b>			
<b>30 June 2021</b>	<b>Derivative fair value \$ '000</b>	<b>Derivative amounts set off \$ '000</b>	<b>Net amounts presented in statement of financial position \$ '000</b>
<b>Financial Assets</b>			
Forward Foreign Exchange	5,690,444	(4,773,478)	916,966
Futures Contracts	1,823	-	1,823
Options Contracts	9,323	-	9,323
Other Contracts	-	-	-
Swaps Contracts	198,653	-	198,653
	<b>5,900,243</b>	<b>(4,773,478)</b>	<b>1,126,765</b>
<b>Financial Liabilities</b>			
Forward Foreign Exchange	(5,804,961)	4,773,478 -	1,031,483
Futures Contracts	(7,338)	- -	7,338
Options Contracts	(47)	- -	47
Other Contracts	-	-	-
Swaps Contracts	(197,924)	- -	197,924
	<b>(6,010,270)</b>	<b>4,773,478</b>	<b>(1,236,792)</b>
<b>Net Financial Asset/(Liability)</b>	<b>(110,027)</b>	<b>-</b>	<b>(110,027)</b>
<b>30 June 2020</b>			
	<b>Derivative fair value \$ '000</b>	<b>Derivative amounts set off \$ '000</b>	<b>Net amounts presented in statement of financial position \$ '000</b>
<b>Financial Assets</b>			
Forward Foreign Exchange	7,946,471	(6,562,623)	1,383,848
Futures Contracts	2,475	-	2,475
Options Contracts	440	-	440
Other Contracts	11,958	-	11,958
Swaps Contracts	179,568	-	179,568
	<b>8,140,912</b>	<b>(6,562,623)</b>	<b>1,578,289</b>
<b>Financial Liabilities</b>			
Forward Foreign Exchange	(7,719,327)	6,562,623	(1,156,704)
Futures Contracts	(2,812)	-	(2,812)
Options Contracts	-	-	-
Other Contracts	-	-	-
Swaps Contracts	(176,935)	-	(176,935)
	<b>(7,899,074)</b>	<b>6,562,623</b>	<b>(1,336,451)</b>
<b>Net Financial Asset/(Liability)</b>	<b>241,838</b>	<b>-</b>	<b>241,838</b>

**5. Receivables**

	<b>2021 \$ '000</b>	<b>2020 \$ '000</b>
<b>Recoverable within 12 months</b>		
GST receivable	799	989
Prepayments	616	124
Unsettled sales receivable	708	523
Sundry receivables	258	65
	<b>2,381</b>	<b>1,701</b>

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 16.

**6. Property, plant and equipment**

	<b>2021 \$ '000</b>	<b>2020 \$ '000</b>
Opening net written down value	8,054	2,363
Additions	376	6,411
Disposals	(707)	-
Depreciation	(1,553)	(720)
<b>Closing net written down value</b>	<b>6,170</b>	<b>8,054</b>
Cost of fair value	8,635	10,736
Accumulated depreciation	(2,465)	(2,682)
<b>Closing net written down value</b>	<b>6,170</b>	<b>8,054</b>



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**7. Leases**

*(i) Amounts recognised in the Statement of Financial Position*

The Statement of Financial Position shows the following amounts relating to leases:

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Right-of-use assets</b>		
Buildings	26,652	29,343
Equipment	90	136
	<u>26,742</u>	<u>29,479</u>
<b>Lease liabilities</b>		
Current	1,757	1,460
Non-current	25,677	27,434
	<u>27,434</u>	<u>28,894</u>

*(ii) Amounts recognised in the statement of profit and loss*

The Income Statement shows the following amounts as Operating expenses relating to leases:

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Depreciation charge of right-of-use assets</b>		
Buildings	(2,692)	(996)
Equipment	(45)	(49)
	<u>(2,737)</u>	<u>(1,045)</u>
Interest expense	(713)	(229)

The total cash outflow for leases in 2021 was \$2,173,669 (2020: \$441,572).

*(iii) The Fund's leasing activities and how these are accounted for*

The Fund leases various offices and equipments. Rental contracts are typically made for fixed periods of 6 months to 7 years, but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Fund allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Fund is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as operating leases.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Fund where possible, uses a quote for third-party financing as a starting point, adjusted to reflect changes in financing conditions. In absence of the quote received from the third-party, the Fund obtained the Bank Bill Swap Bid Rate (BBSY) as appropriate. It is noted that Superannuation Funds are not permitted to borrow against the assets of the Fund.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Fund is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Fund revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Fund.

Payments associated with short-term leases (lease terms of 12 months or less) of equipment and vehicles and all leases of low-value assets (equal to or less than \$7,500) are recognised on a straight-line basis as an expense in profit or loss.

*(iv) Extension and termination options*

Extension and termination options are included in some of the leases of the Fund. These are used to maximise operational flexibility in terms of managing the assets used in the Fund's operations. The majority of extension and termination options held are exercisable only by the Fund and not by the respective lessor.

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**8. Payables**

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Due within 12 months</b>		
Insurance premiums payable	12,774	6,241
Audit fees payable	-	48
Unsettled investment purchases	6,728	4,671
Benefits payable	1,805	9,715
Operating expenses payable	2,455	2,380
Administration expenses payable	1,133	1,960
Provision for employee benefits - Current	3,713	2,432
Sundry creditors	2	25
Investment expenses payable	8,737	12,922
<b>Due later than 12 months</b>		
Provision for employee benefits	430	327
	<u>37,777</u>	<u>40,721</u>

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 16.

**9. Changes in fair value of investments**

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Investments held at balance date</b>		
Cash and short term deposits	2,143	18,292
Capital guaranteed	(88)	(97)
Australian shares	515,356	(332,296)
Overseas shares	459,616	86,809
Alternatives	299,789	(140,826)
Fixed interest	(52)	(8,679)
Property	57,429	(57,645)
Derivative assets/liabilities	419,261	224,719
<b>Total unrealised gains/(losses)</b>	<u>1,753,454</u>	<u>(209,723)</u>
<b>Investments realised during the year</b>		
Cash and short term deposits	(2,647)	4,868
Capital guaranteed	0	0
Australian shares	124,723	(147,482)
Overseas shares	84,846	(32,498)
Alternatives	889	(53,082)
Fixed interest	(9,803)	(8,823)
Property	(5,537)	(3,911)
Derivative assets/liabilities	667,764	(232,490)
<b>Total realised gains/(losses)</b>	<u>860,235</u>	<u>(473,418)</u>
<b>Change in fair value of investments</b>	<u>2,613,689</u>	<u>(683,141)</u>

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.

**10. Funding arrangements**

The Fund receives payment of contributions by employers at agreed rates. Employees are also able to make voluntary contributions. Transfers in during the year amounted to \$475,696,401 (2020: \$449,298,878).

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**11. Income tax**

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
(a) Major components of income tax expense for the years ended 30 June 2021 and 2020:		
Income statement		
Current tax expense		
Current tax charge	117,039	(24,330)
Adjustments in respect of current income tax of previous years	(2,319)	726
Deferred tax		
Relating to origination and reversal of temporary differences		
Deferred tax assets	(547)	(1,963)
Deferred tax liabilities	149,354	(31,754)
Total tax expense as reported in the income statement	<u>263,527</u>	<u>(57,321)</u>
(b) Reconciliation between income tax expense and the accounting profit before income tax		
Result from superannuation activities before income tax expense	3,021,344	(148,419)
Income tax at 15%	453,202	(22,263)
Net non-assessable income/(losses)	(126,307)	20,515
Exempt pension income	(17,033)	(3,432)
Net imputation and foreign tax credits	(44,016)	(52,867)
Under/(over) provision in the previous year	(2,319)	726
	<u>263,527</u>	<u>(57,321)</u>

(c) Deferred tax

	<b>Opening</b>	<b>2021</b>	<b>Closing</b>
	<b>Balance</b>	<b>(Charged) / Credited</b>	<b>Balance</b>
	<b>\$ '000</b>	<b>to income</b>	<b>\$ '000</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Deferred tax assets</b>			
Fund expenses accrued but not incurred	4,072	547	4,619
Unrealised losses on investments	-	-	-
	<u>4,072</u>	<u>547</u>	<u>4,619</u>
<b>Deferred tax liabilities</b>			
Income receivable	(16)	(14)	(30)
Unrealised gains on investments	(268,928)	(149,340)	(418,268)
	<u>(268,944)</u>	<u>(149,354)</u>	<u>(418,298)</u>
<b>Net deferred tax (liability)/asset</b>	<u>(264,872)</u>	<u>(148,807)</u>	<u>(413,679)</u>

(c) Deferred tax (continued)

	<b>Opening</b>	<b>2020</b>	<b>Closing</b>
	<b>Balance</b>	<b>(Charged) / Credited</b>	<b>Balance</b>
	<b>\$ '000</b>	<b>to income</b>	<b>\$ '000</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>Deferred tax assets</b>			
Fund expenses accrued but not incurred	2,109	1,963	4,072
Unrealised losses on investments	-	-	-
	<u>2,109</u>	<u>1,963</u>	<u>4,072</u>
<b>Deferred tax liabilities</b>			
Income receivable	(2,382)	2,366	(16)
Unrealised gains on investments	(298,316)	29,388	(268,928)
	<u>(300,698)</u>	<u>31,754</u>	<u>(268,944)</u>
<b>Net deferred tax (liability) / asset</b>	<u>(298,589)</u>	<u>33,717</u>	<u>(264,872)</u>

**12. Auditor's remuneration**

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Audit services		
PwC	266	194
Other services - assurance		
PwC	158	175
	<u>424</u>	<u>369</u>

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**13. Cash flow statement reconciliation**

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
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:		
Cash and cash equivalents	99,960	47,446

**Reconciliation of operating result after income tax to net cash inflow/(outflow) from operating activities**

Operating result after income tax	103,542	(55,306)
<b>Adjustments for:</b>		
(Increase) / decrease in assets measured in fair value	(2,899,387)	688,391
Depreciation and impairment	1,553	720
(Increase) / decrease in insurance	(4,304)	17,989
(Increase) / decrease in receivables	(495)	961
Increase / (decrease) in payables	7,094	(1,395)
Increase / (decrease) in income tax payable	222,569	18,177
(Increase) / decrease in fixed assets	1,608	(5,578)
Allocation to members' accounts	2,654,275	(35,792)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>86,455</b>	<b>628,167</b>

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

**14. 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. Revenue is derived from interest, distributions, other investment income, gains on the sale of investments and unrealised changes in the value of investments.

**15. Related party disclosures**

**(a) Trustee and Key Management Personnel**

The Trustee of the Fund is CARE Super Pty Ltd. The directors who held office during the financial year were:

**Employer Representatives**

Terence Wetherall (Chair)  
Michelle Gardiner  
Jeremy Johnson  
Merran Kelsall  
Katherine Sampson

**Member Representatives**

Anthony Cavanagh  
Keith Harvey  
Alessandra Peldova-McClelland (resigned 22 April 2021)  
Robert Potter  
Linda Scott  
Vanessa Seagrove (appointed 23 April 2021)

**Key Management Personnel**

Julie Lander (Chief Executive Officer)  
Suzanne Branton (Chief Investment Officer)  
Sam Horskins (Chief Financial Officer) (appointed 15 February 2021)  
Mark Lyons (Chief Capability Officer)  
Paul Northey (Chief Development Officer)  
Belinda Ray (Chief Risk Officer)  
Peter Theodorakopoulos (Chief Marketing Officer)

The Trustee applied for a licence from the Australian Prudential Regulation Authority. The RSE licence was granted on 16 February 2006 (licence no L0000956). The Trustee received authority to offer a MySuper product on 10 April 2013 (MySuper number 98172275725867).

**(b) Compensation of key management personnel**

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Short-term employee benefits (salaries, director fees)	3,375	3,286
Post-employment benefits (superannuation)	227	237
Other long-term benefits	495	556
<b>Total compensation</b>	<b>4,097</b>	<b>4,079</b>

Transactions between directors and the superannuation fund were transacted under normal terms and conditions with expenses incurred by the directors on the Fund's behalf fully reimbursed.

**15. Related party disclosures (continued)**

**(c) Related Party Transactions**

**Trustee**

CARE Super Pty Ltd invoiced CARE Super the amount of \$1,919,874 (2020: \$2,408,122) during the 2021 year for expenses incurred on behalf of the trustee company.

**Trustee Directors**

Certain directors are members of the Fund. Their membership terms and conditions are the same as those available to other members of the Fund. Included in the CARE Super Pty Ltd financial accounts are director fees of \$830,204 (2020: \$821,226) during the year.

CareSuper's investment assets are custodially held by JPMorgan Chase Bank (Sydney branch). Related party investments and transactions are presented in the following note.

**Industry Super Holdings Pty Ltd**

The Fund held a 3.59% shareholding (2020: 3.59%) in Industry Super Holdings Pty Ltd (ISH), valued at \$43,617,822 (2020: \$35,604,406), which included a 7.5% minority shareholder discount adopted by the Trustee. ISH is the holding company for several wholly owned subsidiary companies including IFM Holdings Pty Ltd (IFM), Industry Super Australia Pty Ltd (ISA), The New Daily Pty Ltd and Industry Fund Services Limited (IFS).

IFS has a number of subsidiaries including Industry Funds Investments Limited, Super Members Investments Limited and IFS Insurance Solutions Pty Ltd.

CARE Super engages the services of a number of these entities on commercial terms and conditions. These non-investment transactions are summarised in the following table.

Company	Nature of transaction	2021 \$'000	2020 \$'000
Industry Fund Services	Financial planning, arrears collection and other member services	101	96
Industry Super Australia	Marketing, research, policy and advocacy services	1,297	1,297
IFS Insurance Solutions	Insurance premiums, broking and insurance consulting services	645	908

Mr Terence Wetherall is a director of ISA. There was no remuneration paid for this directorship.

**Industry Funds Management Pty Ltd**

IFM is an investment manager used by the Fund. IFM offers investment management services to institutional investors across a number of asset classes and strategies. CareSuper invests with IFM for Australian listed equity, fixed interest, infrastructure, and private equity asset classes. These investment capabilities are accessed at commercial terms consistent with its other investment management arrangements with comparable investment management firms. The Fund invests \$1,353,064,757 with IFM (2020: \$1,181,573,325) for which it received \$260,498,951 in earnings (2020: -\$59,681,831) and paid \$2,258,979 in fees (2020: \$2,619,829).

Ms Michelle Gardiner is a member on the IFM Shareholder Advisory Board. Remuneration relating to the IFM position is paid directly to CareSuper.

**Industry Superannuation Property Trust Pty Ltd and Operating Company Trust**

The Fund owns a 4% shareholding (2020: 4%) in Industry Superannuation Property Trust Pty Ltd (ISPT Pty Ltd) and a beneficial ownership in the Operating Company Trust (OpCo Trust). ISPT Pty Ltd is an institutional property investment manager, offering access to property investments through various unlisted vehicles. The Fund does not recognise a carrying value for ISPT Pty Ltd, as it is valued at \$1. The OpCo Trust is a corporate entity offering property management services to institutional property investors, which the Fund carries at \$374,711 (2020: \$127,088).

CareSuper holds investments in the ISPT Core Fund and the ISPT Retail Australia Property Trust and a residual interest in the ISPT Development Opportunities Fund 2 which is in the late stages of wind-up. The Fund invests \$742,134,058 with ISPT (2020: \$777,558,398) across these strategies, for which it received \$49,586,916 in earnings (2020: \$5,547,568) and paid \$2,009,013 in fees (2020: \$2,110,425).

**Members Equity Bank Limited**

CareSuper holds a beneficial interest in Members Equity Bank Limited (ME Bank), a licenced Authorised Deposit-taking Institution offering banking products and services to Australian retail and institutional customers. The Fund's interest in ME Bank represents a 3.59% shareholding (2020: 3.59%). During the financial year ended 30 June 2021, an offer for the purchase of 100% of the issued equity of ME Bank was unanimously accepted by its existing equity owners. On 28 June 2021, ME Bank confirmed the exact completion payment amounts to be received by shareholders following completion of the sale on 1 July 2021, with the completion payments received on 2 July 2021. The completion payment factors in a retention amount held in escrow as security for potential indemnity claims. The Fund has recorded its interest in ME Bank at the completion payment amount of \$46,564,288. There is a contingent asset on the sale of ME Bank of up to \$3.59 million pending the outcome of the potential indemnity claims. At 30 June 2020, the Fund carried its investment in ME Bank at \$41,393,160, which included a 7.5% minority shareholder discount adopted by the Trustee. The Fund invests a portion of its cash balances with ME Bank in various money market and deposit products. Investments with ME Bank totalled \$171,820,126 (2020: \$77,243,761). ME Bank deposit products are accessed at competitive rates and terms, comparable to products offered by providers of similar size and credit rating.

**15. Related party disclosures (continued)**

**(c) Related Party Transactions (continued)**

***Transactions with other organisations***

CARE Super Pty Ltd as trustee for CARE Super transacts with the following organisations where there is a common Director, where the organisation is a nominating organisation or where a member of the Key Management Personnel is a Director of the organisation. This is for the purpose of membership, research, sponsorship of various events and education.

Entity	2021 \$'000			2020 \$'000		
	Membership	Sponsorship	Other (including training)	Membership	Sponsorship	Other (including training)
Business NSW	-	18	-	-	46	-
Victorian Chamber of Commerce and Industry	-	62	2	-	117	-
Australian Services Union	-	-	-	-	44	-
ACTU Education	-	33	-	-	13	1
Australian Chamber of Commerce and Industry	-	-	-	-	33	-
CPA Australia	2	-	-	2	-	-
Business Council of Cooperatives and Mutuals	31	8	-	33	-	-
Australian Council of Superannuation Investors	194	-	5	118	-	54
Fund Executives Association Limited	8	-	3	16	-	1
RACV	-	-	14	1	-	106
Australian Institute of Superannuation Trustees	87	-	128	44	-	257

***Terms and conditions of transactions with related parties***

Outstanding balances at year end are unsecured and settlement occurs in cash. Transactions and Investments are made on normal commercial terms.

There have been no guarantees provided or received for any related party receivables.

For the year ended 30 June 2021, the Fund has not raised any provision for uncollectible amounts relating to amounts owed by related parties (2020: \$nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## 16. Financial risk management

Financial risk management is carried out by the Trustee through the Board and various Committees with advice from external advisors and internal management.

The Fund's activities expose it to a variety of investment risks:

- market risk (including foreign currency risk, interest rate risk and price risk);
- credit risk; and
- liquidity risk.

These risks are managed as part of the Fund's overall Risk Management Framework and investment policies.

The Fund's overall objective is to maximise each member's returns during their working and retirement life, while protecting their accumulated retirement savings from large fluctuations during the economic cycle. Accordingly, the Trustee's Investment Strategy is to build a diversified portfolio of assets that balances investment returns and risks over the medium to long term. The Trustee determines the strategic asset allocations of each of the Fund's diversified portfolio and individual investment options, after receiving advice from its investment advisor.

The asset allocation is reviewed throughout the year in accordance with the Fund's Investment Policy and Risk Management Plan and Strategy. A range of tools are employed to measure the different types of risk to which the portfolios are exposed, and these include asset allocation modelling, historical stress testing and forward-looking scenario testing.

The Trustee primarily invests via individual manager mandates or units in managed trusts, after determining that the appointment of each manager is appropriate for the Fund and in accordance with the Fund's investment strategy. Each investment manager is required to invest the Fund's assets in accordance with the terms of a written mandate or Trust Deed. The equity securities, insurance policies, fixed interest securities, property, infrastructure, private equity, hedge funds, cash and short-term deposits in which these managers invest, are expected to generate appropriate levels of return, with acceptable levels of risk.

A range of qualitative risk measures are employed by the Fund to assess the overall investment arrangements of individual managers and the Fund. Additionally, the Fund obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks. Where relevant, the Fund also obtains formal Derivative Risk Statements from individual managers.

The Fund also enters derivative transactions, principally in equity and fixed interest futures and foreign exchange contracts. Their main purpose is to manage the financial risks associated with the Fund's investment transactions or effect a change in the asset mix. Investments in derivatives are not used to gear the Fund's investment portfolio and are regulated by the Fund's asset allocation limits for the underlying investment class.

Most of the Fund's investments are held on behalf of the Trustee by JPMorgan Chase Bank, National Association (JPM) who act as the master custodian. To the extent assets are held out of custody, the Trustee ensures appropriate controls are in place to ensure the correct recording of the assets, liabilities, revenues and expenses.

### (a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Changes in market prices are reflected in earnings credited to members. Market risk comprises three types of risk: Foreign currency risk, interest rate risk and price risk.

The Fund's policies and procedures that have been put in place to mitigate the Fund's exposure to market risk are detailed in the Risk Management Framework and investment policies. Throughout the past 18 months, the COVID 19 pandemic has created market uncertainty which has changed the Fund's exposure to a potential market risk and the way the Fund manages and measures the risk. During the COVID 19 pandemic period, heightened market risk was managed in part by increasing reporting frequency and including additional detail in daily monitoring and review processes.

#### (i) Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has exposure to foreign currency risk implicit in the value of portfolio securities denominated in a foreign currency. These exposures are managed by a combination of the hedging policies of the underlying managers, and a currency overlay established by the Trustee, in conjunction with the investment consultant, to manage the exposure to international currency movements to a neutral benchmark. Exposure to currency risk is implemented through exposure to overseas shares.

The tables below summarise the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

	USD A\$'000	EUR A\$'000	HKD A\$'000	Other A\$'000	Total \$'000
<b>30 June 2021</b>					
Net exposure	815,086	253,396	106,102	669,714	1,844,298
<b>30 June 2020</b>					
Net exposure	672,552	196,848	115,311	488,939	1,473,650

**16. Financial risk management (continued)**

**(a) Market Risk (continued)**

*(i) Foreign Currency Risk (continued)*

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net market value of foreign exchange contracts</b>		
Foreign exchange contract assets	5,690,444	7,946,470
Foreign exchange contract liabilities	(5,804,961)	(7,719,327)

*Sensitivity analysis*

Based on an assessment of historical ranges of currency an assumption of +/- 9.0% (2020: +/- 7.0%) has been determined by the Trustee as an appropriate assumption for this scenario analysis.

A 9.0% strengthening/weakening of the Australian dollar against the following currencies at 30 June 2021 would have (decreased)/increased the net assets available to pay members' liabilities and the net result from superannuation activities by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The impact mainly arises from the reasonably possible change in foreign currency rates. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors including the average absolute divergence between the unhedged and hedged MSCI World ex Australian Index annual returns over a 10 year period.

The amounts shown below are on the basis that all other variables remain constant.

		<b>USD</b>	<b>EUR</b>	<b>HKD</b>	<b>Other</b>
		<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>	<b>A\$'000</b>
<b>30 June 2021</b>					
	9.00%	(73,358)	(22,806)	(9,549)	(60,274)
	-9.00%	73,358	22,806	9,549	60,274
<b>30 June 2020</b>					
	7.00%	(47,079)	(13,779)	(8,072)	(34,226)
	-7.00%	47,079	13,779	8,072	34,226

*(ii) Interest Rate Risk*

Interest rate risk represents the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to market risk for changes in interest rates relate primarily to investments held in discounted securities and interest bearing securities.

The Fund's policy is to invest in fixed interest as a diversifying strategy as well as moderate the volatility of the expected returns of the Fund.

The risks within the fixed interest investments lie in the duration and credit limits held by the investment managers. Managers are subject to strict guidelines with regard to both parameters and they are monitored regularly by the Trustee in conjunction with the investment consultant.



**16. Financial risk management (continued)**

**(a) Market Risk (continued)**

*(ii) Interest Rate Risk (continued)*

The Fund's exposure to interest rate movements on those investments are as follows:

30 June 2021	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Cash and cash equivalents	99,960	-	-	99,960
Cash & short term deposits held for investing activities	2,288,724	352,824	198,404	2,839,952
Capital guaranteed	-	40,090	151,598	191,688
Australian shares	192,053	-	4,466,435	4,658,488
Overseas shares	92,618	-	5,077,686	5,170,304
Alternatives	237,053	383,988	3,347,923	3,968,964
Fixed interest	247,782	857,657	12,036	1,117,475
Property	-	-	1,850,806	1,850,806
Derivative assets	160,578	39,023	927,164	1,126,765
<b>Total Financial Assets</b>	<b>3,318,768</b>	<b>1,673,582</b>	<b>16,032,052</b>	<b>21,024,402</b>
Derivative liabilities	(159,864)	(40,087)	(1,036,841)	(1,236,792)
<b>Total Financial Liabilities</b>	<b>(159,864)</b>	<b>(40,087)</b>	<b>(1,036,841)</b>	<b>(1,236,792)</b>
<b>Net Financial Assets/Liabilities</b>	<b>3,158,904</b>	<b>1,633,495</b>	<b>14,995,211</b>	<b>19,787,610</b>

30 June 2020	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>				
Cash and cash equivalents	47,446	-	-	47,446
Cash & short term deposits held for investing activities	405,429	1,780,442	559	2,186,430
Capital guaranteed	-	157,067	-	157,067
Australian shares	151,284	28,472	3,332,928	3,512,684
Overseas shares	75,753	9,197	3,940,747	4,025,697
Alternatives	583,571	31,632	2,838,573	3,453,776
Fixed interest	214,710	455,212	263,967	933,889
Property	-	-	1,937,432	1,937,432
Derivative assets	181,209	-	1,397,080	1,578,289
<b>Total Financial Assets</b>	<b>1,659,402</b>	<b>2,462,022</b>	<b>13,711,286</b>	<b>17,832,710</b>
Derivative liabilities	(177,676)	-	(1,158,775)	(1,336,451)
<b>Total Financial Liabilities</b>	<b>(177,676)</b>	<b>-</b>	<b>(1,158,775)</b>	<b>(1,336,451)</b>
<b>Net Financial Assets/Liabilities</b>	<b>1,481,726</b>	<b>2,462,022</b>	<b>12,552,511</b>	<b>16,496,259</b>

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Fund that are not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

*Sensitivity analysis*

The sensitivity analysis below illustrates the estimated effect of possible changes in interest rates. It is the Trustee's expectation that a change in interest rates of 77 basis points (bps) or 0.77% p.a. (2020 – 0.70%) is reasonably possible. The table shows the impact that such a change would have had to the benefits accrued and the net assets available to pay benefits accrued, had the interest rate been 77bps (2020 – 70bps) higher or lower.

30 June 2021	Carrying Amount	Movement in underlying sectors	Increase/ (Decrease) in benefits accrued as a result of operations \$'000	Increase/ (Decrease) in members liabilities for accrued benefits \$'000
	\$'000	77 bps	\$'000	\$'000
<b>Net Financial Assets/Liabilities</b>	<b>1,633,495</b>		<b>(12,578)</b>	<b>12,578</b>

30 June 2020	Carrying Amount	Movement in underlying sectors	Increase/ (Decrease) in benefits accrued as a result of operations \$'000	Increase/ (Decrease) in members liabilities for accrued benefits \$'000
	\$'000	70 bps	\$'000	\$'000
<b>Net Financial Assets/Liabilities</b>	<b>2,462,022</b>		<b>(17,232)</b>	<b>17,232</b>

## 16. Financial risk management (continued)

### (a) Market Risk (continued)

#### (iii) Price risk

Price risk represents the risk that the value 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. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

Price risk is minimised through ensuring all investment activities are undertaken in accordance with established mandate limits and investment strategies.

The Fund is exposed to the price risk relating to changes in the net market value of the respective investment options held by the Fund, namely unit trusts, equity prices, fixed interest and discount securities as well as infrastructure and direct property valuations. Any changes in the net market value of these investments are due to movements in the price of the underlying assets that the fund invests in and the volatility of those assets.

The Trustee, in consultation with JANA Investment Advisors Pty Ltd as the appointed investment consultant, moderates this risk through diversification and the careful selection of investment managers who trade in securities and other financial instruments within specified limits. The Fund's overall market positions are monitored monthly by the Trustee. In addition, the Trustee reviews each asset class and manager in detail each quarter to ensure that performance is within expectations and ranges of the specific mandate.

The asset allocation ranges for each investment sector have been determined by the Trustee in consultation with the investment consultant. These ranges have been set to ensure the appropriate overall fund risk/return ratio is maintained and to ensure satisfactory diversification across sectors. Investments in each sector are spread over more than one security manager. In this way the Fund is not overly exposed to one manager, asset class or underlying economic event. This approach is designed to produce a moderate outperformance over time. The asset allocation of the investment options are monitored by internal management in line with the Rebalancing Policy and are reported on a regular basis to the Investment Committee.

The volatility of expected returns for the purpose of this analysis has been based on historical analysis and input from the investment consultant in collaboration with the Trustee. The following table represents the returns that would be considered reasonably possible based on the underlying asset classes as at 30 June 2021 and 30 June 2020. This analysis has been performed on a pre-tax basis.

	Change in Variable (+/-%)	
	2021	2020
Australian Shares	15%	11%
Overseas Shares	16%	12%
Alternatives	8%	9%
Property	8%	9%
	Change for year in Net Assets available for Member Benefits	
	\$'000	\$'000
30 June 2021	1,991,603	(1,991,603)
30 June 2020	1,354,688	(1,354,688)

### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these investments.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by undertaking transactions with counterparties on recognised exchanges, and ensuring that transactions are undertaken with a large number of counterparties.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

There are no significant concentrations of credit risk within the Fund.

The Fund restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements as set out in Note 4(e).

**CARE Super**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**16. Financial risk management (continued)**

**(b) Credit risk (continued)**

The fair value of financial assets included in the Statement of Financial Position represent the Fund's exposure to credit risk in relation to those assets. An analysis of debt securities by rating is set out in the tables below.

The Fund's exposure to credit risk is held across the Fixed Interest, Cash & short-term deposits held for investing activities, Derivative assets and Alternatives classes of Financial Assets.

**30 June 2021**

AAA \$'000	AA+ to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	BB+ to BB- \$'000	B+ to B- \$'000	CCC to D \$'000	Total \$'000
486,049	361,611	1,423,854	364,162	68,748	85,221	13,668	2,803,313

**30 June 2020**

AAA \$'000	AA+ to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	BB+ to BB- \$'000	B+ to B- \$'000	CCC to D \$'000	Total \$'000
143,186	102,479	1,252,048	442,332	174,057	94,985	9,694	2,218,781

**(c) Liquidity risk**

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

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

The Fund has sufficient liquidity to be able to pay benefits to members. This includes both account-based pension members and those who are suffering hardship resulting from the COVID-19 pandemic that may wish to gain access to some of their super balance through the Government's Early Release Initiative to superannuation provisions.

The investment team regularly monitors the Fund's liquidity position and reviews the results of liquidity stress testing across a number of different scenarios. These tests assess the impact on the liquidity of the investment portfolio and any consequential impact on asset allocations for a range of stressed market events taking into account potential adverse impacts on cash flows resulting from investment switching by members, rollover and benefit requests, settling foreign currency transactions and funding capital call commitments.

The liquidity position of the Fund is conditional on a number of external factors including the liquidity of the investment markets in which the Fund invests, the relevant legislative requirements governing members' access to their superannuation benefits and redeeming and investing net cash flows based on the strategic asset allocation.

The Fund is obligated to pay member benefits in accordance with the relevant legislative requirements. This includes the payment of rollovers to other superannuation funds upon request and the payment of benefits to members.

The Fund ensures its allocation to cash is consistent with the investment objectives and the Fund's expected demographic profile and net cash flows. The Fund's membership profile coupled with the bulk of its assets being invested in highly liquid asset classes allows the Fund to tolerate an exposure to assets with lower levels of inherent liquidity (e.g. property, infrastructure and alternative investments) in an expectation of higher risk adjusted investment returns in the longer term.

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

<b>2021</b>	<b>Less than 1 month \$'000</b>	<b>1-6 months \$'000</b>	<b>6-12 months \$'000</b>	<b>&gt;12 months \$'000</b>	<b>Total \$'000</b>
<b>Non-derivatives</b>					
Payables	37,777	-	-	-	37,777
Defined contribution member liabilities	19,078,198	-	-	-	19,078,198
<b>Derivatives</b>					
Net settled derivatives	231,399	807,261	-	198,132	1,236,792
<b>Total</b>	<b>19,347,374</b>	<b>807,261</b>	<b>-</b>	<b>198,132</b>	<b>20,352,767</b>

<b>2020</b>	<b>Less than 1 month \$'000</b>	<b>1-6 months \$'000</b>	<b>6-12 months \$'000</b>	<b>&gt;12 months \$'000</b>	<b>Total \$'000</b>
<b>Non-derivatives</b>					
Payables	40,721	-	-	-	40,721
Defined contribution member liabilities	16,112,467	-	-	-	16,112,467
<b>Derivatives</b>					
Net settled derivatives	268,388	891,128	-	176,935	1,336,451
<b>Total</b>	<b>16,421,576</b>	<b>891,128</b>	<b>-</b>	<b>176,935</b>	<b>17,489,639</b>

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

## **16. Financial risk management (continued)**

### **(d) Environmental Social and Governance Risks**

The Fund's purpose is to maximise members' best financial interests and retirement incomes by investing in assets that are expected to deliver competitive, risk-adjusted returns over the long term. The selection of investments which achieve those returns is important. The Fund believes that long-term returns are positively influenced by asset management practices that are environmentally sustainable, socially responsible and well governed.

The Fund manages environmental, social and governance (ESG) risks in accordance with its Responsible Investing Policy which sets out the key principles and commitments in relation to ESG risk factors in the management of the Fund's investment program. As part of this commitment, a range of ESG issues such as climate change, labour and human rights, board diversity and corporate governance are integrated into the investment processes and decision-making.

The Fund does this by:

- Requiring external investment managers to consider ESG factors when selecting and holding investments. This includes the need for them to identify and assess climate change risks and opportunities in their investment analysis. Engaging with the Fund's investment managers and evaluating them on their ESG practices is an integral part of the Investment Team's manager appointment, monitoring and review process.
- Investing in projects and businesses that offer competitive returns and contribute to the broader community (e.g. healthcare, education, renewable energy, water-related investments).
- Excluding tobacco manufacturing companies from all portfolios and supporting the Tobacco Free Finance Pledge.
- Tackling the risks of climate change through coordinated global co-operation and action. As a global investor and asset owner, the Fund believes it has a role to play. The Climate Change Position Statement outlines the Fund's actions to address the investment risks and opportunities relating to climate change.
- Exercising its voting rights at company meetings and using its influence to support positive corporate behaviour and drive improved ESG practices in accordance with its Proxy Voting Policy.
- Advocating for change via a range of collaborative, outcome driven ESG initiatives, including:
  - CDP (formerly known as the Carbon Disclosure Project)
  - The Global Investor Statement to Governments on Climate Change
  - Responsible Investment Association Australasia (RIAA)
  - ESG Research Australia
- Taking an active approach to its stewardship responsibilities by adopting the Australian Asset Owner Stewardship Code (the Code). As part of the Code, the Fund publicly reports against six key principles as set out in its Stewardship Statement.
- Reporting its responsible investing activities through the United Nations-supported Principles for Responsible Investment (PRI) by participating in their annual Transparency Report which is publicly disclosed on the PRI website.
- Developing a modern slavery framework that includes a road map of activities to be implemented over the next three years to meet obligations under the Modern Slavery Act 2018.

Oversight of the Fund's Responsible Investing Policy is the responsibility of the Investment Committee and the Investment team is responsible for its implementation. The Policy is reviewed on an annual basis.

Beyond its investment program, the Fund is also cognisant of its own operational carbon footprint and was one of the first superannuation funds to be certified Carbon Neutral by the Australian Government through Climate Active.

The reduction in the Fund's operational footprint is continuing with various sustainability measures, including comprehensive recycling, energy efficient workspaces through the use of green energy, purchasing carbon offsets for travel, and increased online communications and reporting systems to reduce travel and printing.

## **17. Insurance**

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

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

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

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

**CARE Super**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**18. Structured entities**

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control.

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Fund's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However, the Fund applies the Investment Entity Exemption available under AASB10 *Consolidated Financial Statements* and therefore does not consolidate its entities. In other cases it may have exposure to such an entity but no control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. Such interests include holding of units in unlisted trusts. The nature and extent of the Fund's interests in structured entities are titled units in unlisted investments and managed funds and are summarised in Note 4 and and Note 15 where appropriate. As at 30 June 2021, the Fund had no exposure to any managed fund investments that was greater than 10% of the Fund's net assets.

The Fund has exposures to unconsolidated structured entities through its investments. The Fund typically has no other involvement with the structured entity other than the securities it holds as part of investments and its maximum exposure to loss is restricted to the carrying value of the investment.

Exposures to investment assets are managed in accordance with financial risk management practices as set out in Note 16 Financial Risk Management, which includes an indication of changes in risk measures compared to the prior year.

The Fund has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to unconsolidated structured entities in the future.

**19. Operating expenses**

	<b>2021</b>	<b>2020</b>
	<b>\$ '000</b>	<b>\$ '000</b>
Bank charges	96	73
Staff related costs	22,880	20,644
Office expenses	5,262	3,897
Advertising and sponsorship	6,048	5,530
Fund literature	790	1,260
Other operating costs*	3,186	4,007
Government charges	2,086	1,260
Professional services	7,398	6,579
	<u>47,746</u>	<u>43,250</u>

\* Other operating expenses include expenses relating to leases such as depreciation and interest expense under AASB 16 *Leases*. Refer to note 7.

**20. Commitments**

CARE Super has \$898 million (2020: \$633 million) in private equity, property, credit and infrastructure commitments yet to be called.

**21. Significant events after balance date**

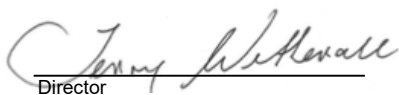
Since 30 June 2021 there have been no matters or circumstances which have arisen that have significantly affected or may significantly affect the financial position or operating results of the Fund.

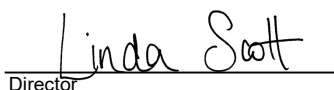
## Trustees' declaration

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

- (a) the accompanying financial statements and notes set out on pages 2 to 28 are in accordance with:
  - (i) Australian Accounting Standards and other mandatory professional reporting requirements and
  - (ii) present fairly the Fund's financial position as at 30 June 2021 and of its performance for the financial year ended on that date
- (b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993* and its accompanying Regulations; the relevant requirements of the *Corporations Act 2001 and Regulations*; the requirements under *section 13 of the Financial Sector (Collection of Data) Act 2001*, during the year ended 30 June 2021, and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of CARE Super Pty Ltd as Trustee for CARE Super.

  
Director

  
Director

Melbourne  
28 September 2021



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

### **Independent Auditor's report approved form for a Registrable Superannuation Entity (RSE) that is a reporting entity**

*Report by the RSE Auditor to the trustee and members of CARE Super  
(ABN: 98 172 275 725)*

#### ***Opinion***

I have audited the financial statements of CareSuper for the year ended 30 June 2021 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of CareSuper as at 30 June 2021 and the results of its operations, cash flows, changes in 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.

#### ***Materiality***

For the purpose of our audit, we used approximately 1% of CareSuper's net assets available for members' benefits to set our overall materiality.

I applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.

I chose net assets available for members' benefits because, in our view, it is the metric against which the performance of CareSuper is most commonly measured and is a generally accepted benchmark in the Superannuation industry.

I utilised a 1% as the threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

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## Audit Scope

Our audit of the financial report focused on where CareSuper made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Our audit approach reflects the nature of CareSuper's investment operations and administration of member balances, with consideration to the work undertaken by CareSuper's third-party service providers and external investment managers.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>Valuation process for Level 3 investments</b> <i>Refer to note 4 (c) Financial assets and liabilities</i></p> <p>At 30 June 2021, CareSuper's Level 3 investments included alternatives and property assets.</p> <p>Note 4 (c) of the financial statements describes the valuation methodology and assumptions used by CareSuper to measure the fair value of the Level 3 investments under Australian Accounting Standards. CareSuper's Level 3 investments are valued using the valuation provided by the relevant third-party investment manager responsible for each investment fund, in most cases.</p> <p>I considered this a key audit matter because of the:</p> <ul style="list-style-type: none"><li>• financial significance of the Level 3 investments assets balance</li><li>• the level of judgement involved in the assumptions used in determining fair value</li><li>• the sensitivity of fair value to any changes in key data and assumptions.</li></ul>	<p>I assessed the design and tested the operating effectiveness of certain controls supporting CareSuper's Level 3 investments valuation process, including controls relating to the oversight and review of the valuation policies and methodology adopted by CareSuper's third-party investment managers.</p> <p>I performed risk assessment procedures, taking into consideration the characteristics of the Level 3 investments, as well as the nature and type of underlying investments held by the investment funds.</p> <p>Based on the risk assessment procedures performed, I performed the following procedures amongst others for a sample of investments:</p> <ul style="list-style-type: none"><li>• obtained a confirmation from the third-party investment manager of the investment funds and compared the confirmed balance to the accounting records</li><li>• obtained valuation statements provided by third-party investment managers of the investment funds and compared the valuation quoted by the third-party investment manager to CareSuper's accounting records</li><li>• assessed the reliability of the valuations statements provided by third-party investment managers.</li></ul> <p>I assessed the reasonableness of CareSuper's disclosures in the financial report in light of the requirements of Australian Accounting Standards. In particular we considered the adequacy of the disclosures made in note 4 (c) to the financial statements, which explains that overall uncertainty and volatility remains, and the need for consideration of COVID-19 economic implications in CareSuper's evaluation of Level 3 asset valuations remains.</p>





### **Valuation of level 1 and 2 financial assets and liabilities**

*Refer to note 4 (c) Financial assets and liabilities*

At 30 June 2021, CareSuper's level 1 and 2 financial assets and liabilities included Cash & Short Term Deposits Held for Investing Activities, Capital Guaranteed, Australian Shares, Overseas Shares, Alternatives, Fixed Interest, Property and Derivative Assets and Liabilities.

Note 4 (c) of the financial statements describes the valuation methodology used by CareSuper to measure the fair value of the level 1 and 2 financial assets and liabilities under Australian Accounting Standards.

Valuation of level 1 and 2 financial assets and liabilities was a key audit matter because of the financial significance of the balances in CareSuper's statement of financial position. A discrepancy in the valuation of level 1 and 2 financial assets and liabilities could cause the net asset available for members' benefits to be materially misstated.

I assessed the design and operating effectiveness of relevant controls operated by the third-party service providers of administration and custody services. We performed the following procedures, amongst others:

- inspected the most recent reports provided to CareSuper by the service providers setting out the controls in place at that service provider, and that included an independent audit opinion over the design and operating effectiveness of those controls.
- developed an understanding of the control objectives and associated control activities and evaluated the results of the tests undertaken and the conclusions formed by the auditor on the design and operating effectiveness of controls, to the extent relevant to our audit of the valuation of CareSuper's level 1 and 2 financial assets and liabilities.

I obtained and assessed the reliability of an independent audit report from the third-party service provider's auditors on the valuation of CareSuper's level 1 and 2 financial assets and liabilities as at balance sheet date. I compared the number and value of the financial assets and liabilities at 30 June 2021 as recorded in CareSuper's financial report and underlying accounting records to this report.

For level 2 Overseas Shares and Alternatives investments which are not included in the scope of the independent audit report obtained, I performed the following procedures amongst others for a sample of investments:

- obtained a confirmation from the external investment manager and compared the confirmed balance to the accounting records
- obtained valuation statements provided by external investment managers of the investment funds and compared the valuation quoted by the external investment manager to CareSuper's accounting records.

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### ***Responsibilities of the trustee for the Financial Statements***

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards<sup>1</sup> 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.

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<sup>1</sup> The Australian Accounting Standards issued by the Australian Accounting Standards Board.



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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal controls 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's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's 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.



From the matters communicated with the trustee, I determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I described these matters in my report unless law or regulation precluded public disclosure about the matter or when, in extremely rare circumstances, I determined that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*PricewaterhouseCoopers.*

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Nicole Osborne', written in a cursive style.

Nicole Osborne  
Partner

Melbourne  
28 September 2021