



# FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2020

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PART 2: CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2020

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This Financial Statement has been produced by LGIASuper Trustee ABN 94 085 088 484 AFS Licence No. 230511 as trustee for LGIASuper ABN 23 053 121 564 and provides general information for LGIASuper members. Current information about investment performance and other issues will be published on our website and in our newsletters. We will send you a free printed copy at your request.

## Consolidated statement of financial position as at 30 June 2020

		2020	2019	1 July 2018
			Restated <sup>1</sup>	Restated <sup>1</sup>
	Notes	\$'000	\$'000	\$'000
<b>Assets</b>				
Cash at bank	21	19,591	5,464	6,209
Cash and cash equivalents	8	1,756,879	761,388	579,278
Contributions receivable		3,530	6,657	13,149
Receivables/unsettled trades	9	36,738	78,065	55,098
Fixed interest securities	8	1,285,694	1,482,547	1,603,393
Listed equity investments and trusts	8	5,422,230	6,245,234	6,016,900
Unlisted equity investments and trusts	8	4,238,821	4,302,015	3,736,477
Derivative assets	8	149,249	63,118	42,750
Prepaid expenses		1,786	1,786	1,318
Property, plant & equipment	10	1,361	1,330	3,972
Intangible assets	11	1,851	2,092	10,708
Right to use assets	12	9,253	-	-
Current tax receivable		19,264	11,063	-
Capitalised establishment expense		30	46	62
<b>Total assets</b>		<b>12,946,277</b>	<b>12,960,805</b>	<b>12,069,314</b>
<b>Liabilities</b>				
Benefits payable	13	135	25	755
Derivative liabilities	8	10,628	27,856	57,500
Lease liability	12	14,045	-	-
Payables/unsettled trades	14	44,253	52,161	53,870
Accrued employee entitlements		1,134	2,156	2,578
Provision for restructuring expenses	15	-	7,982	-
Income tax payable		-	-	2,319
Deferred tax liability (net)	20	207,248	222,760	217,463
<b>Total liabilities excluding member benefits</b>		<b>277,443</b>	<b>312,940</b>	<b>334,485</b>
<b>Net assets available for member benefits</b>		<b>12,668,834</b>	<b>12,647,865</b>	<b>11,734,829</b>
Defined contribution (DC) member liabilities		11,426,501	11,414,072	10,513,051
Defined benefit (DB) member liabilities		802,327	860,508	933,179
<b>Total allocated member liabilities</b>		<b>12,228,828</b>	<b>12,274,580</b>	<b>11,446,230</b>
Unallocated to members	16(d)	102,930	25,853	31,166
<b>Total member liabilities</b>		<b>12,331,758</b>	<b>12,300,433</b>	<b>11,477,396</b>
<b>Total net assets</b>		<b>337,076</b>	<b>347,432</b>	<b>257,433</b>
<b>Reserves</b>				
Operational Risk and General reserves	19	123,790	67,698	66,318
Defined benefits that are over/(under) funded	16(g)	200,126	222,733	201,451
Unallocated surplus	19	13,160	57,001	(10,336)
<b>Total reserves</b>		<b>337,076</b>	<b>347,432</b>	<b>257,433</b>

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

<sup>1</sup> Refer to Note 17 for details regarding the restatement

## Consolidated income statement for the year ended 30 June 2020

		2020	2019
	Notes	\$'000	Restated <sup>1</sup> \$'000
<b>Superannuation activities</b>			
Interest revenue		46,404	50,848
Dividends & trust distributions		365,488	427,152
Net change in fair value of financial instruments	4	(241,241)	504,847
Other investment revenue	5	4,038	2,834
Sundry revenue		2,258	1,735
<b>Total net income</b>		<b>176,947</b>	<b>987,416</b>
<b>Expenses</b>			
Investment expenses	6	60,529	47,788
Administration expenses	7	32,780	40,579
Depreciation and Amortisation	7	2,153	2,912
Loss on disposal of fixed assets		486	84
Impairment loss		-	10,691
Interest expense on lease liability		112	-
<b>Total expenses</b>		<b>96,060</b>	<b>102,054</b>
<b>Results from superannuation activities before income tax expense</b>		<b>80,887</b>	<b>885,362</b>
Income tax benefit/ (expense)	20	19,416	(20,610)
<b>Results from superannuation activities after income tax expense</b>		<b>100,303</b>	<b>864,752</b>
Net benefits allocated to defined contribution members		1,585	(762,840)
Net change in defined benefit member benefits		(40,287)	(42,896)
<b>Operating result after income tax</b>		<b>61,601</b>	<b>59,016</b>

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

<sup>1</sup> Refer to Note 17 for details regarding the restatement



## Consolidated statement of changes in member benefits for the year ended 30 June 2020

	DC member liabilities \$'000	City DB & DC member liabilities \$'000	Regional DB member liabilities \$'000	Total DB member liabilities \$'000	Total \$'000
<b>Balance at 1 July 2018</b>	<b>10,529,171</b>	<b>71,765</b>	<b>861,414</b>	<b>933,179</b>	<b>11,462,350</b>
Opening balance adjustment <sup>1</sup>	(16,120)	-	-	-	(16,120)
<b>Balance at 1 July 2018 (restated)</b>	<b>10,513,051</b>	<b>71,765</b>	<b>861,414</b>	<b>933,179</b>	<b>11,446,230</b>
Employer contributions	488,501	1,952	21,894	23,846	512,347
Member contributions	155,733	608	3,309	3,917	159,650
Transfers from other funds	241,929	66	-	66	241,995
Income tax on contributions	(73,622)	(293)	(3,284)	(3,577)	(77,199)
<b>Net after tax contributions</b>	<b>812,541</b>	<b>2,333</b>	<b>21,919</b>	<b>24,252</b>	<b>836,793</b>
Benefits paid	(303,656)	(6,934)	(131,996)	(138,930)	(442,586)
Transfers to other funds	(342,061)	(230)	-	(230)	(342,291)
Insurance premiums charged to members	(39,593)	(208)	(803)	(1,011)	(40,604)
Death and disability insurance entitlements received	29,568	78	278	356	29,924
Other fees	(391)	(5)	-	(5)	(396)
General reserves transferred (from)/to members:	(18,233)	-	-	-	(18,233)
Operational reserves transferred (from)/to members:	6	1	-	1	7
Net benefits allocated to members, comprising:					
Investment income	848,417	-	-	-	848,417
investment income adjustment <sup>1</sup>	(60,444)	-	-	-	(60,444)
Administration fees	(25,133)	-	-	-	(25,133)
Net change in defined benefit member benefits	-	1,865	41,031	42,896	42,896
<b>Balance at 30 June 2019</b>	<b>11,414,072</b>	<b>68,665</b>	<b>791,843</b>	<b>860,508</b>	<b>12,274,580</b>
<b>Balance at 1 July 2019</b>	<b>11,414,072</b>	<b>68,665</b>	<b>791,843</b>	<b>860,508</b>	<b>12,274,580</b>
Employer contributions	510,550	1,149	19,921	21,070	531,620
Member contributions	148,114	497	2,973	3,470	151,584
Transfers from other funds	238,868	223	-	223	239,091
Income tax on contributions	(76,239)	(172)	(2,983)	(3,155)	(79,394)
<b>Net after tax contributions</b>	<b>821,293</b>	<b>1,697</b>	<b>19,911</b>	<b>21,608</b>	<b>842,876</b>
Benefits paid	(422,749)	(6,821)	(112,814)	(119,635)	(542,384)
Transfers to other funds	(371,875)	(45)	-	(45)	(371,920)
Insurance premiums charged to members	(42,239)	(204)	(701)	(905)	(43,144)
Death and disability insurance entitlements received	29,878	-	373	373	30,251
Other fees	(295)	(5)	-	(5)	(300)
General reserves transferred (from)/to members:	-	(740)	(73)	(813)	(813)
Operational reserves transferred (from)/to members:	-	104	850	954	954
Net benefits allocated to members, comprising:					
Investment income	29,230	-	-	-	29,230
Administration fees	(30,814)	-	-	-	(30,814)
Net change in defined benefit member benefits	-	2,789	37,498	40,287	40,287
<b>Balance at 30 June 2020</b>	<b>11,426,501</b>	<b>65,440</b>	<b>736,887</b>	<b>802,327</b>	<b>12,228,828</b>

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

<sup>1</sup> Refer to Note 17 for details regarding the restatement

## Consolidated statement of changes in reserves for the year ended 30 June 2020

2019	DC Operational Risk reserve \$'000	DC General reserve \$'000	DB Operational risk reserve \$'000	DB over/ (under) funded \$'000	Unallocated surplus/ (deficit) \$'000	Total Reserves \$'000
<b>Opening balance</b>	<b>29,980</b>	<b>31,982</b>	<b>4,356</b>	<b>201,286</b>	<b>-</b>	<b>267,604</b>
Opening balance adjustment <sup>1</sup>	-	-	-	165	(10,336)	(10,171)
<b>Opening balance (restated)</b>	<b>29,980</b>	<b>31,982</b>	<b>4,356</b>	<b>201,451</b>	<b>(10,336)</b>	<b>257,433</b>
Member net transfer to/(from) reserves	(6)	18,233	(1)	-	-	18,226
Other net transfer to/(from) reserves	-	(21,774)	-	-	27,803	6,029
Other net transfer adjustment <sup>1</sup>	-	-	-	-	6,728	6,728
Other net transfer to/(from) reserves (restated)	-	(21,774)	-	-	34,531	12,757
Operating result	2,126	2,502	300	21,282	(27,638)	(1,428)
Operating result adjustment	-	-	-	-	60,444	60,444
Operating result (restated) <sup>1</sup>	2,126	2,502	300	21,282	32,806	59,016
<b>Closing balance</b>	<b>32,100</b>	<b>30,943</b>	<b>4,655</b>	<b>222,733</b>	<b>-</b>	<b>290,431</b>
<b>Closing balance (restated)</b>	<b>32,100</b>	<b>30,943</b>	<b>4,655</b>	<b>222,733</b>	<b>57,001</b>	<b>347,432</b>

2020	DC Operational Risk reserve \$'000	DC General reserve \$'000	DB Operational risk reserve \$'000	DB over/ (under) funded \$'000	Unallocated surplus/ (deficit) \$'000	Total Reserves \$'000
<b>Opening balance</b>	<b>32,100</b>	<b>30,943</b>	<b>4,655</b>	<b>222,733</b>	<b>57,001</b>	<b>347,432</b>
Other transfers to/(from) reserves	-	6,407	-	-	-	6,407
Transfers between reserves	(3,101)	53,101	-	-	(50,000)	-
Member net transfer to/(from) reserves	(89)	(275)	(954)	-	(77,046)	(78,364)
Operating result	441	455	107	(22,607)	83,205	61,601
<b>Closing balance</b>	<b>29,351</b>	<b>90,631</b>	<b>3,808</b>	<b>200,126</b>	<b>13,160</b>	<b>337,076</b>

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

<sup>1</sup> Refer to Note 17 for details regarding the restatement

## Consolidated statement of cash flows for the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Purchase of financial instruments		(8,698,497)	(5,259,136)
Sale of financial instruments		8,462,968	4,852,058
Purchase of other assets		(1,045)	(2,413)
Interest received		45,991	50,648
Other income		5,993	4,290
Dividends and trust distributions received		376,130	423,046
Other general administrative expenses		(97,013)	(84,839)
Income tax paid on investment earnings		(4,056)	(30,073)
Insurance premiums paid		(43,230)	(44,130)
Insurance proceeds received		29,985	30,229
<b>Net cash from operating activities</b>	21	<b>77,226</b>	<b>(60,320)</b>
<b>Cash flows from financing activities</b>			
Employer contributions		535,365	514,876
Member contributions		150,175	158,348
Transfers from other superannuation funds		239,091	241,664
Transfers to other super funds		(371,918)	(342,274)
Benefits paid		(542,590)	(443,797)
Income tax paid on contributions		(73,222)	(69,242)
<b>Net cash flows from financing activities</b>		<b>(63,099)</b>	<b>59,575</b>
<b>Net decrease in cash held</b>		<b>14,127</b>	<b>(745)</b>
Cash at the beginning of the financial year		5,464	6,209
<b>Cash at the end of the financial year</b>	21	<b>19,591</b>	<b>5,464</b>

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

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 1 General information

LGIAsuper (the 'Fund') is a superannuation fund domiciled in Australia. The Fund is constituted by a Trust Deed dated 5 April 1995, as amended, which established the Fund with effect from 1 July 1995 and provides retirement benefits to its members. The Fund comprises a defined contribution fund, two defined benefit funds and a pension division.

The Trustee of the Fund is LGIAsuper Trustee (the "Trustee") and the registered office is Level 20, 333 Ann Street, Brisbane, Queensland.

The financial statements were approved by the Board of Directors of the Trustee on 24 September 2020. The directors of the Trustee have the power to amend and re-issue these financial statements.

The Fund accepts contributions from employers. In relation to defined benefit members, the contribution rate is the rate agreed by the actuary and the employer. Member contributions are compulsory for permanent employee members in most instances and members may also make voluntary pre-tax and post-tax contributions.

The Fund obtained from the Australian Prudential Regulation Authority (APRA) its RSE licence on 5 September 2005 (registration number R1000160) and its MySuper licence on 24 May 2013 (registration number 23053121564638).

### Note 2 Statement of significant accounting policies

#### (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) Act 1993* and *Regulations ('SIS')* and the provisions of the Trust Deed of the Fund. 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.

This financial report is prepared based on applicable Australian Accounting Standards. Since AASB 1056 is the principal standard that applies to the financial statements, other standards are also applied where necessary except to the extent that they differ from AASB 1056.

#### (b) Principles of consolidation

Subsidiaries are entities over which the Fund has control. The Fund controls an entity when the Fund is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances, and unrealised gains on transactions between Fund companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

#### (c) Rounding of amounts

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



## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 2 Statement of significant accounting policies (continued)

#### (d) New and amended accounting standards and interpretations

AASB 16 *Leases* became effective for annual periods beginning on or after 1 January 2019. This standard has resulted in all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. The Fund applied the simplified transition approach permitted under the AASB 16 *Leases* and has not restated any comparative information and the disclosures for the prior period reflect the accounting treatment applied in that period. The application of AASB 16 *Leases*, has not resulted in a significant impact to the Fund's consolidated statement of financial position shown in note 12(a) or the consolidated income statement shown in note 12(b).

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 2019 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

#### (e) Revenue Recognition

Interest revenue is recognised in profit or loss for all financial instruments that are held at fair value through profit or loss using the effective interest method. Income from cash and cash equivalents is presented as interest income. Interest income on assets held at fair value through profit or loss is included in the net changes in fair value of financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 8 to the financial statements.

Dividend and trust distribution income is recognised gross of withholding tax in the period in which the Fund's right to receive payment is established.

#### (f) Contributions received and transfers from other 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.

#### (g) 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 8 for details.

The Fund also makes estimates and assumptions in relation to the valuation of defined benefit member liabilities details of which are set out in note 16.

#### (h) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

#### (i) Accounting for Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included as a current asset in the *Consolidated Statement of Financial Position*.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

#### (j) Cash

For the purpose of presentation in the *Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows*, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (k) Currency fluctuations

Transactions in foreign exchange are recorded at the rate of exchange applicable at the date of each transaction. At balance date, investments and amounts payable and receivable in overseas currencies are converted to Australian Dollars at the rate of exchange applying at that date. Any exchange differences relating to foreign currency monetary items are brought to account in the *Consolidated Income Statement*.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 2 Statement of significant accounting policies (continued)

#### (l) Operational Risk and General Reserve

Superannuation Prudential Standard 114: Operational Risk Financial Requirement, (SPS114) which became effective 1 July 2013, requires Registered Superannuation Entity (RSE) licensees to maintain adequate financial resources to address losses arising from operational risks that may affect such entities within their business operations. The Fund's Operational Risk Reserve has been established for this purpose.

As a minimum the Fund aims to hold a target amount equal to 25 basis points of assets under management subject to a predetermined tolerance limit. The tolerance limit is set by the Trustee to reduce the need for small transfers to or from the Operational Risk Reserve for immaterial fluctuations in the reserve's value.

The Operational Risk Reserve may only be used to make a payment to address an operational risk event as defined by SPS 114.

When the amount falls below the tolerance limit additional funds are transferred into the Operational Risk Reserve. Any transfers to the Operational Risk Reserve must be approved by the Trustee.

The Fund has a General Reserve for the Accumulated Benefits Fund for operational risks which could not be funded from the Operational Risk Reserve. The Fund has a long-term target for the General reserve of 50 basis points of the Accumulated Benefits Fund with a tolerance range of 40 to 100 basis points.

### Note 3 Operation of the Fund

LGIAsuper continues in existence under the *Local Government Act (2009)*. The Fund is a hybrid fund which incorporates both Defined Benefits Funds and a Defined Contributions Fund. Effective 1 July 2011, the Brisbane City Council Superannuation Plan (City Super) merged with the Local Government Superannuation Scheme (LGsuper). LGIAsuper is the successor fund.

The merged fund consists of two separate Defined Benefits Funds, namely, the Regional Defined Benefits Fund (pertaining to previous LGsuper members) and the City Defined Benefits Fund (relating to previous City Super members), and a combined Defined Contributions Fund.

The Regional Defined Benefits Fund was closed to new entrants from 1 July 1998, with all new entrants since then joining the Defined Contributions Fund. The City Defined Benefits Fund was closed to new entrants from 30 October 1994, with all new entrants since then joining the Defined Contributions Fund.

Local Government employers contribute to the Fund in respect of certain categories of their employees, for defined benefit arrangements; and certain categories of their employees (including councillors and contractors) for defined contribution arrangements, in accordance with the Trust Deed and relevant statutory requirements.

From 12 June 2009, the *Local Government Act (1993)* was amended to allow the Trustee to specify in the Trust Deed the rate of Regional Defined Benefits Fund contributions paid into the Fund by Local Government employers. The level of Regional Defined Benefits Fund contributions must be in accordance with advice received from an actuary. This amendment enables the Trustee to vary the rate of employer contributions where the actuary has concerns as to the ongoing solvency of the Regional Defined Benefits Fund.

Benefits of members in the Defined Benefits Funds are calculated by way of formula as defined in the Trust Deed. Benefits of members of the Defined Contributions Fund are equal to the member's account balance, which is credited each year with contributions and a proportionate share of net investment earnings (positive or negative), expenses, insurance premia and income tax expense of the Fund.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 4 Net change in fair value of financial instruments

	2020	2019
	\$'000	\$'000
<b>Fair value through profit or loss</b>		
Fixed interest securities	28,132	77,205
Equity investments and unlisted trusts	(98,220)	596,771
Derivatives	(171,153)	(169,129)
<b>Total</b>	<b>(241,241)</b>	<b>504,847</b>

The changes in net market value of investments reflect investment market conditions prevailing as at balance date in respect of investments held at balance date and during the year in respect of investments realised during the period.

### Note 5 Other investment revenue

	2020	2019
	\$'000	\$'000
Management fee rebates	883	492
Securities lending revenue	2,085	1,948
Proceeds from compensation claims	716	-
Other	354	394
<b>Total</b>	<b>4,038</b>	<b>2,834</b>

### Note 6 Direct investment expenses

	2020	2019
	\$'000	\$'000
External investment management fees	33,333	28,883
Master custodian fees	2,953	2,573
Administration expenses – Fund investment operations	4,108	5,067
Other fees & taxes	8,535	5,810
Performance fees	10,381	3,995
Asset consultant fees	1,219	1,460
<b>Total</b>	<b>60,529</b>	<b>47,788</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 7 Administration expenses

	Notes	2020 \$'000	2019 \$'000
Staff salaries and associated costs		15,691	18,891
APRA levy and other government charges		1,788	1,750
Consultants' fees		4,502	3,434
Actuarial fees		156	191
Occupancy expenses		239	2,240
Onerous contract expense		-	6,008
Maintenance and service agreements		6,409	2,726
Communication expenses		232	518
Insurances		378	428
Printing expenses		250	213
Staff travel and business expenses		372	643
Marketing and sponsorship expenses		402	2,009
Other management expenses		2,361	1,528
<b>Total administration expenses</b>		<b>32,780</b>	<b>40,579</b>
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
Depreciation on property plant and equipment	10	529	1,789
Depreciation on right to use assets	12(b)	1,328	-
Amortisation of intangible assets	11	241	1,108
Amortisation of capitalised establishment costs		55	15
<b>Total depreciation and amortisation</b>		<b>2,153</b>	<b>2,912</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 8 Investments and derivatives

	2020	2019
	\$'000	\$'000
<b>Cash and cash equivalents</b>		
Cash accounts	561,064	413,191
Cash trusts	1,015,125	-
Short-term money market accounts	180,000	343,000
Futures deposit accounts	690	5,197
	<b>1,756,879</b>	<b>761,388</b>
<b>Fixed interest securities</b>		
Discount securities	34,202	65,957
Term deposits	-	120,401
Corporate bonds	256,241	125,102
Floating rate notes	7,418	21,724
Government and semi-government bonds	896,135	1,120,927
Other fixed interest securities	91,698	28,436
	<b>1,285,694</b>	<b>1,482,547</b>
<b>Listed equity investments and trusts</b>		
Equity investments	5,053,822	5,819,067
Property trusts	368,408	426,167
	<b>5,422,230</b>	<b>6,245,234</b>
<b>Unlisted equity investments and trusts</b>		
Equity investments	3,058,421	2,712,668
Alternatives	176,770	239,977
Property trusts	963,682	1,049,349
Diversified fixed interest	-	260,448
Socially responsible investments	39,948	39,573
	<b>4,238,821</b>	<b>4,302,015</b>



## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 8 Investments and derivatives (continued)

	Notes	2020 \$'000	2019 \$'000
<b>Derivative assets</b>			
<b>Options and Warrants</b>			
Equity options		2,235	29,077
Equity futures		81	9
<b>Futures</b>			
Fixed interest futures		160	1,106
<b>Swaps</b>			
Swaps floating		-	109
Swaps fixed		31	3,282
		<b>2,507</b>	<b>33,583</b>
Forward foreign exchange		<b>146,742</b>	<b>29,535</b>
<b>Total derivative assets</b>		<b>149,249</b>	<b>63,118</b>
<b>Total investment assets</b>		<b>12,852,873</b>	<b>12,854,302</b>
<b>Derivative liabilities</b>			
<b>Futures</b>			
Fixed interest futures		-	(1,118)
Money market futures		-	(63)
<b>Swaps</b>			
Swaps floating		-	(13)
Swaps fixed		-	(2,450)
Forward foreign exchange		(10,628)	(24,212)
<b>Total derivative liabilities</b>		<b>(10,628)</b>	<b>(27,856)</b>
<b>Other financial assets</b>			
Investment revenue receivable	9	19,927	32,433
Other receivables/unsettled trades	9	12,967	42,624
		<b>32,894</b>	<b>75,057</b>
<b>Other financial liabilities</b>			
Other payables/unsettled trades	14	(30,219)	(36,140)
<b>Net investment assets</b>		<b>12,844,920</b>	<b>12,865,363</b>

# Notes to and forming part of the financial statements for the year ended 30 June 2020

## Note 8 Investments and derivatives (continued)

### Financial instruments

#### (i) Classification

The Fund's investments are classified as at fair value through the income statement in accordance with AASB 1056. They comprise:

- **Financial instruments held for trading**  
Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification.
- **Financial instruments designated at fair value through income statement upon initial recognition**  
These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts and commercial paper. These investments are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's investment strategy.

#### (ii) Recognition/derecognition

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

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

#### (iii) Measurement

At initial recognition, the Fund measures a financial asset or liability at fair value. Transaction costs are expensed in the income statement.

Subsequent to initial recognition, all financial assets and financial liabilities held at fair value through the income statement are measured at fair value. Gains and losses are presented in the income statement in the period in which they arise as net changes in the fair value of financial instruments.

For further details on how the fair values of financial instruments are determined refer to note 4.

#### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability at the same time.

#### (v) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 of the responsible entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty); volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

In light of the volatile market position throughout the second half of 2020, the Board determined it was necessary to direct a Trustee instructed valuation decrement to the carrying value of its infrastructure and property portfolio ahead of receipt of independent valuations being received through the usual quarterly cycle. With the exception of one property investment and one infrastructure investment, the remaining portfolio had reverted to independent pricing as advised by the Fund Manager at 30 June 2020. The remaining client instructed valuations resulted in a 3% downward revaluation on the infrastructure investment and a 5% downward revaluation on the property investment.

A number of the Fund's investments were stale priced at 30 June 2020 due to receipt of independent valuations following the hard close of the accounting records. A review of these subsequent valuations, resulted in the Fund recording a revaluation increment of \$51.5m in relation to a number of indirectly held infrastructure and property investments at 30 June, 2020. Of this \$51.5m valuation increment, \$36.8m is represented by investments classified as level 3 under the fair value hierarchy and \$14.7m is represented by investments classified as level 2 under the fair value hierarchy.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 8 Investments and derivatives (continued)

#### (a) 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 implied unit prices, capitalisation rates, earnings multiples and recent comparable market transactions. The Trustee generally values units in unit trusts classified as level 3 instruments using the implied unit price provided by the underlying fund manager unless there is a specific verifiable reason to vary from the unit price provided. The level 3 unit trusts held by the Fund may include closed funds which are illiquid investments. The level 3 unit trusts hold assets such as property and private equity.

#### Recognised fair value measurements

The table below sets out the Fund's financial assets and liabilities at fair value according to the fair value hierarchy.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2020</b>				
<b>Financial assets</b>				
Listed equity investments	5,052,228	1,439	155	5,053,822
Listed property trusts	368,408	-	-	368,408
Unlisted trusts	-	3,178,883	1,059,938	4,238,821
Fixed interest securities	-	1,261,870	23,824	1,285,694
Derivatives	240	149,009	-	149,249
<b>Financial liabilities</b>				
Derivatives	-	(10,628)	-	(10,628)
<b>Total</b>	<b>5,420,876</b>	<b>4,580,573</b>	<b>1,083,917</b>	<b>11,085,366</b>

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2019</b>				
<b>Financial assets</b>				
Listed equity investments	5,818,926	-	141	5,819,067
Listed property trusts	426,167	-	-	426,167
Unlisted trusts	-	2,673,757	1,628,258	4,302,015
Fixed interest securities	120,401	1,333,321	28,825	1,482,547
Derivatives	1,115	62,003	-	63,118
<b>Financial liabilities</b>				
Derivatives	(1,181)	(26,675)	-	(27,856)
<b>Total</b>	<b>6,365,428</b>	<b>4,042,406</b>	<b>1,657,224</b>	<b>12,065,058</b>

Investments not included in the above table are cash, cash equivalents, deposits and short-term receivables and payables as the carrying amount is a reasonable approximation of fair value.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 8 Investments and derivatives (continued)

(b) A reconciliation of movements in Level 3 of the fair value hierarchy between the beginning and end of the reporting period is disclosed in the following table:

	Equity securities	Unlisted unit trusts	Fixed interest securities	Derivatives	Total
30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	141	1,628,258	28,825	-	1,657,224
Purchases	134	218,140	-	-	218,274
Sales	-	(102,156)	(5,023)	-	(107,179)
Transfers into level 3		241,695	-	-	241,695
Transfers out of level 3		(930,406)	-	-	(930,406)
Unrealised gains/(losses)	(10)	785	-	-	775
Realised gains/(losses)	(110)	3,622	22	-	3,534
<b>Balance at 30 June 2020</b>	<b>155</b>	<b>1,059,938</b>	<b>23,824</b>	<b>-</b>	<b>1,083,917</b>

	Equity securities	Unlisted unit trusts	Fixed interest securities	Derivatives	Total
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	150	1,143,128	-	-	1,143,278
Purchases	31	476,097	28,825	-	504,953
Sales	(55)	(53,549)	-	-	(53,604)
Unrealised gains/(losses)	-	61,694	-	-	61,694
Realised gains/(losses)	15	888	-	-	903
<b>Balance at 30 June 2019</b>	<b>141</b>	<b>1,628,258</b>	<b>28,825</b>	<b>-</b>	<b>1,657,224</b>

#### Valuation inputs and relationship to fair value

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 8 Investments and derivatives (continued)

#### Valuation inputs and relationship to fair value (continued)

The following table summarises quantitative information about significant unobservable inputs used in level 3 fair value measurements. See (a) above for the valuation techniques adopted.

	Valuation Approach	Key unobservable inputs	Inter-relationship between unobservable inputs and fair value
Equity securities	Last traded price	Trading price	Less actively traded equities or trading in less developed markets may alter the fair value
Unlisted unit trusts	Investment Manager - net asset value/ redemption price	Unit prices/Valuation of underlying investments	Increase/(reduction) in the value of Fund investments will result in higher/(lower) fair values
Fixed interest securities	Discounted cashflow	Face value and interest rate of notes/bonds	Increase/(decrease) in interest rate results in an increase/(decrease) in fair value
Derivatives	Pricing models	Yields, cash flows, volatility, default probability	Higher/(lower) yields, cash flows and counterparty credit quality will result in higher/(lower) fair values

#### (c) Movements between levels in the fair value hierarchy are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2020</b>				
Unlisted unit trusts	-	688,711	(688,711)	-
Fixed interest securities	-	(23,824)	23,824	-
<b>Total</b>	-	<b>664,887</b>	<b>(664,887)</b>	-
<b>30 June 2019</b>				
Equity securities	-	-	-	-
Fixed interest securities	-	-	-	-
<b>Total</b>	-	-	-	-



## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 9 Receivables/unsettled trades

	2020	2019
	\$'000	\$'000
<b>Investment revenue receivable</b>		
Interest receivable	439	1,001
Dividends receivable	11,420	14,066
Trust distributions receivable	8,068	17,366
	<b>19,927</b>	<b>32,433</b>
<b>Other</b>		
Sundry & other debtors	3,844	3,008
Other receivables & unsettled trades	12,967	42,624
	<b>16,811</b>	<b>45,632</b>
<b>Total</b>	<b>36,738</b>	<b>78,065</b>

Receivable amounts are generally received within 30 days of being recorded as receivables. Collectability of receivables is reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount.

### Note 10 Property, plant & equipment

	Furniture and equipment	Computer hardware	Computer software	Leasehold improvements	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance 1 July 2018	70	1,404	1,994	370	134	3,972
Additions	2	23	2,389	-	-	2,414
Disposals	-	-	-	-	(84)	(84)
Impairment	(17)	(279)	(2,800)	(87)	-	(3,183)
Depreciation	(19)	(836)	(839)	(74)	(21)	(1,789)
<b>Closing balance 30 June 2019</b>	<b>36</b>	<b>312</b>	<b>744</b>	<b>209</b>	<b>29</b>	<b>1,330</b>
Opening balance 1 July 2019	36	312	744	209	29	1,330
Additions	-	80	1,058	-	-	1,138
Disposals	(18)	(17)	(514)	(1)	(28)	(578)
Depreciation	(8)	(200)	(278)	(42)	(1)	(529)
<b>Closing balance 30 June 2020</b>	<b>10</b>	<b>175</b>	<b>1,010</b>	<b>166</b>	<b>0</b>	<b>1,361</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 10 Property, plant & equipment (continued)

The Fund's property, plant and equipment are stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and any impairment if required. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the following methods over the asset's estimated useful economic life.

	Depreciation Method	Useful Life
Computer hardware	Diminishing value	3 - 5 years
Computer software	Straight line	4 - 5 years
Office furniture and equipment	Diminishing value	3 – 14 years
Motor vehicles	Diminishing value	4 years
Leasehold improvements	Diminishing value	Lesser of unexpired lease term or 10 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### Note 11 Intangible assets

	2020	2019
	\$'000	\$'000
Opening balance	2,092	10,708
Impairment loss	-	(7,508)
Amortisation	(241)	(1,108)
<b>Closing balance</b>	<b>1,851</b>	<b>2,092</b>

Intangible assets represent capitalised costs associated with an IT software development project. The Fund's intangible assets are stated at cost, which includes direct and incremental acquisition costs less accumulated amortisation and any impairment if required. Amortisation commences when the asset is available for use, and is operating in a manner intended by management. The Fund amortises intangible assets using the straight-line method over a useful life of 10 years.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 12 Leases

#### (a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020	2019
	\$'000	\$'000
<b>Right to use assets</b>		
Buildings	9,142	-
<b>Finance lease receivable on sub-tenancies</b>		
Buildings	163	-
Less provision for doubtful debts	(52)	-
	111	
<b>Total</b>	<b>9,253</b>	<b>-</b>
<b>Lease liabilities</b>		
Current	2,307	-
Non-current	11,738	-
<b>Total</b>	<b>14,045</b>	<b>-</b>

#### (b) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2020	2019
	\$'000	\$'000
<b>Included in administration expenses:</b>		
Depreciation of buildings	1,328	-
Interest expense	112	-
<b>Included in sundry income:</b>		
Interest revenue on sub-tenancy lease receivables	(1)	-
<b>Total</b>	<b>1,439</b>	<b>-</b>

The total cash outflow for leases in 2020 was \$2,559k

Until the 2019 financial year, leases of buildings were classified as operating leases and recorded as occupancy expenses.

From 1 July 2019, leases are now recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Refer to Note 2(d) for further information.

On the 30 June 2019, it was determined that the fund had unutilised tenancy space across its tenancies (see note 15 for further detail) and a provision for onerous contracts was recorded. This provision reduced the value of the right to use assets by \$5.69m on 1 July 2019. Two locations provisioned as onerous were subsequently sub-tenanted and a lease receivable was raised under the terms of the sub-tenancy agreement.

The Fund leases tenancy space across several locations. The lease terms for these locations are negotiated on an individual basis and include a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable
- variable lease payments that increased by a fixed annual indexation rate

The lease payments for all leases are discounted using the interest rate implicit in the lease, which is the annual indexation rate applied to the various lease arrangements.

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.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 12 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- (a) the amount of the initial measurement of lease liability
- (b) any lease payments made at or before the commencement date less any lease incentives received; and
- (c) any initial direct costs

Right-of-use assets are depreciated over the lease term on a straight-line basis.

### Note 13 Benefits payable

Benefits payable are valued at the amounts due to members at reporting date. Benefits payable represent payments pending at balance date.

	2020	2019
	\$'000	\$'000
Lump sum benefits	135	25
<b>Total</b>	<b>135</b>	<b>25</b>

### Note 14 Payables/unsettled trades

	2020	2019 Restated	1 July 2018 Restated
	\$'000	\$'000	\$'000
Other payables & unsettled trades	30,219	36,140	31,362
Sundry creditors	13,971	15,779	22,041
PAYG tax payable	63	242	467
<b>Total</b>	<b>44,253</b>	<b>52,161</b>	<b>53,870</b>

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

### Note 15 Provision for restructuring expenses

	2020	2019
	\$'000	\$'000
Provision for onerous lease contracts	-	6,008
Provision for redundancy expenses	-	1,974
<b>Total</b>	<b>-</b>	<b>7,982</b>

The Fund entered into a business process outsourcing agreement on 12 July, 2019 with Tech Mahindra Limited. This contract resulted in the displacement of staff. Unutilised tenancy space was also identified from this outsourcing agreement and a provision, based on the present value of the remaining occupancy costs associated with these tenancies was provided for in the previous financial year.

# Notes to and forming part of the financial statements for the year ended 30 June 2020

## Note 16 Member liabilities

### (a) Recognition and measurement of member liabilities

The entitlements of members to benefit payments are recognised as liabilities. They are measured at 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.

#### (i) Defined contribution member liabilities

Defined contribution member account balances are measured using earning rates determined by the Custodian based on the underlying investment option values.

#### (ii) Defined benefit member liabilities

Defined benefit member liabilities are measured as the estimated present value of a portfolio of investments that would be needed as at the reporting date to yield future net cash flows that would be sufficient to meet the accrued benefits on the date when they are expected to fall due.

The valuation of accrued benefits for the Regional Defined Benefits Fund and the City Defined Benefits Fund were undertaken by the actuary as part of an actuarial review as at 30 June 2020. Together, with the latest data set and actuarial assumptions, this review has been used as the basis for determining the accrued benefits at 30 June 2020.

### (b) Defined contribution member liabilities

The defined contribution members bear the investment risk relating to the underlying investment options. Earning rates used to measure defined contribution member liabilities are updated each day for movements in investment values.

### (c) Defined benefit member liabilities

The Fund has two defined benefit funds (Regional Defined Benefits Fund and City Defined Benefits Fund).

The Fund engages qualified actuaries to measure the defined benefit member liabilities in each of its two defined benefit plans. Member liabilities can only be satisfied with assets of the relevant plan and are quarantined from the other assets of the Fund. Both plans provide lump sum benefits which are payable to members on retirement.

The Fund manages its obligation to pay member liabilities on an expected maturity basis which is based on estimates of when such funds will be drawn down by members.

### (d) Unallocated to members

Amounts unallocated to members of \$103m (2019: \$26m) primarily represent timing differences arising from soft close prices being applied to member account balances and hard close prices used for accounting purposes at reporting date. Of these funds, \$51m was allocated to members on 1 July 2020 and the remaining \$52m was fully allocated to members on 9 July 2020. These funds relate substantially to defined contribution members.

### (e) Covid 19 Early Release

On 22 March 2020, the Federal Government announced a temporary relief measure due to the impact of COVID-19 on the economy. This relief permits individuals to access up to \$10,000 of their superannuation in financial year 2019/20 and a further \$10,000 in financial year 2020/21.

For the year ended 30 June 2020, the Fund paid out \$81.5m in benefits to members seeking early access to their superannuation accounts.



## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 16 Member liabilities (continued)

#### (f) Significant estimates

The Fund has identified two assumptions (discount rate and rate of salary adjustment) for which changes are reasonably possible and would have a material impact on the amount of the liabilities.

##### (i) Discount rate

The assumed discount rate for the two plans has been determined by reference to the investment returns expected on the investment portfolio which reflects the Fund's actual investments and investment strategy in respect of defined benefit member liabilities. The assumed discount rate is the same for each of the two defined benefit plans.

##### (ii) Rate of salary adjustment

Defined member benefits in each of the Fund's two plans are based on an average of each member's salary at specified anniversary dates in each of the last three years of their expected membership of their plan. The assumed annual salary adjustments for each of the Fund's two plans has been determined by reference to the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

The Trustee considers the potential impact of changes to key variables about which assumptions need to be made. The following are sensitivity calculations for each of the discount rate and rate of salary assumptions used for the Regional Defined Benefits Fund and the City Defined Benefits Fund.

Defined benefit fund	Assumption	Assumed at reporting date		Reasonably possible change		Change in member benefit liability	
		2020	2019	2020	2019	2020	2019
						\$'000	\$'000
Regional Defined Benefits Fund	Discount rate	4.8%	4.8%	1.0% / (1.0%)	1.0% / (1.0%)	(2,023) / 2,454	(2,937) / 4,142
	Salary adjustment rate	3.0%	3.0%	1.0% / (1.0%)	1.0% / (1.0%)	957 / (581)	1,239 / (1,162)
City Defined Benefits Fund	Discount rate	4.8%	4.8%	1.0% / (1.0%)	1.0% / (1.0%)	(2,864) / 3,132	(2,892) / 3,180
	Salary adjustment rate	3.0%	3.0%	1.0% / (1.0%)	1.0% / (1.0%)	2,296 / (2117)	(2,095)/(6,140)

At year end, the Accrued Benefits Index for the Regional Defined Benefits Fund was 99.71% (2019: 100.41%), and for the City Defined Benefits Fund it was 92.66% (2019: 93.50%).

#### (g) Defined Benefit Funds that are over funded

For the two defined benefit superannuation funds, there were no unexpected events that changed defined benefit member liabilities materially. The Trustee has no information that would lead it to adjust the assumptions around pension index rates, resignations and mortality, which are all unchanged from the previous reporting period.

The Fund's two defined benefit funds are over-funded by the amounts disclosed below:

	2020	2019
	\$'000	\$'000
Regional Defined Benefits Fund	170,361	192,206
City Defined Benefits Fund	29,765	30,527
<b>Total</b>	<b>200,126</b>	<b>222,733</b>

Both Funds continue to remain in surplus. A defined benefit holiday for City Defined Benefit employers was agreed and entered into on the 1 November 2019. The defined benefit holiday represents 14% of DB contributions. The Regional Defined Benefit employers are contributing at the rate recommended by the actuary. Upon the advice of the Fund actuary, a positive adjustment was made to the Regional Defined Benefit earning rate which returned surplus funds to members.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 17 Prior year restatement

Management performed a review of member liabilities during the year and sought technical and legal advice around investment valuation, investment timing differences and residual net assets supporting the Fund's operations. As a result of this review and the recommendations from the advice sought, the Fund changed its accounting practice in 2020 to separately record investment valuation and timing differences as unallocated to members (see (d) above) and in the case of residual net assets as an unallocated surplus within reserves (see note 19). These timing differences and net unallocated surplus funds were historically treated as allocated to defined contribution member liabilities.

This restatement has resulted in \$77m (2018: \$16m) being reallocated out of defined contribution member liabilities. Of this amount, \$57m (2018: (\$10m)) was allocated to residual asset surplus/ (deficit) and \$20m (2018: \$26m) to unallocated timing differences within member liabilities in the *Consolidated statement of financial position*.

	2018	Restatement	Reclassification	2018 (Restated)
	\$'000	\$'000	\$'000	\$'000
<b>Statement of changes in member liabilities (extract)</b>				
A) <i>Opening DC member benefits</i>				
Defined contribution (DC) member liabilities <sup>1</sup>	10,529,171	(16,121)	-	10,513,050
<b>Statement of changes in reserves (extract)</b>				
A) <i>Unallocated deficit</i>	-	(10,171)	(165)	(10,336)
B) <i>DB over/under funded</i>			165	165
<b>Statement of financial position (extract)</b>				
A) <i>Liabilities</i>				
Payables/unsettled trades- unallocated member contributions and insurance proceeds	58,745	-	(4,875)	53,870
B) <i>Member liabilities</i>				
Unallocated to members		26,291	4,875	31,166

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 17 Prior year restatement (continued)

	2019	Restatement	Reclassification	2019 (Restated)
	\$'000	\$'000	\$'000	\$'000
<b>Income statement (extract)</b>				
A) Net benefits allocated to defined contribution members <sup>1</sup>	(823,284)	60,444	-	(762,840)
B) Operating result after income tax	(1,428)	60,444	-	59,016
<b>Statement of financial position (extract)</b>				
<i>B) Liabilities</i>				
Payables/unsettled trades- unallocated member contributions and insurance proceeds	58,434	-	(6,290)	52,144
<i>C) Member liabilities</i>				
Defined contribution (DC) member liabilities <sup>2</sup>	11,490,653	(76,582)	-	11,414,071
Unallocated to members <sup>3</sup>	-	19,563	6,290	25,853
D) <i>Net assets impact</i> <sup>4</sup>	290,431	57,001	-	347,432
<i>E) Reserves</i>				
Unallocated surplus- residual net assets per Note 19 <sup>3</sup>	-	57,001	-	57,001
<i>1. Restatement</i>				
Adjustment to investment income allocated to members for timing differences between soft close and hard close prices per (d) above- June 18		(16,121)		
Adjustment to investment income allocated to members for timing differences between soft close and hard close prices per (d) above- June 19		(60,444)		
Other timing adjustments and rounding		(17)		
		(76,582)		
<i>2. Restatement</i>				
Adjustment to investment income allocated to members for timing differences between soft close and hard close prices per (d) above		(76,564)		
Other timing adjustments		(18)		
		(76,582)		
<i>3. Restatement and Reclassification</i>				
Reclassification of unallocated member contributions and unallocated insurance proceeds at year end close		6,290		
Accounting policy change for timing differences at reporting date per (d) above		19,563		
		25,853		
<i>4. Restatement</i>				
Adjustment to investment income allocated to members for timing differences between soft close and hard close prices per (d) above		(76,564)		
Reclassified to 'Unallocated to members'		19,563		
		(57,001)		

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 18 Insurance arrangements

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

### Note 19 Reserves

The Operational Risk Financial Reserve may be used in certain circumstances to address operational risk events or claims against the Fund arising from operational risk.

The Trustee has assessed an Operational Risk Financial Reserve (ORFR) target of 0.25% (2019:0.30% of funds under management) as appropriate for the Fund.

The General Reserve is used to cover any potential losses incurred by the Defined Contributions Fund members due to operational errors which could not be funded from the Operational Risk Financial Reserve. The General Reserve is maintained at a level to ensure that LGIASuper remains solvent should expenditure exceed fees charged to members, as well as support LGIASuper's sustainability over time by funding strategic initiatives which deliver net benefits to members.

#### *Unallocated surplus*

Amounts unallocated to members and disclosed in reserves of \$13m (2019: \$57m) represent residual net assets supporting the fund operations.

### Note 20 Income tax

#### (i) Income tax expense

	Fund	Service Entity	Fund	Service Entity
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Current tax on profits for the year	2,136	49	14,385	-
Adjustments for current income tax of prior periods	(6,090)	-	829	99
<b>Total current tax expense</b>	<b>(3,954)</b>	<b>49</b>	<b>15,214</b>	<b>99</b>
Decrease/ (increase) in deferred tax assets	560	-	7,364	-
(Decrease)/ increase in deferred tax liabilities	(16,071)	-	(2,014)	-
Adjustments for deferred tax of prior periods	-	-	(53)	-
	<b>(15,511)</b>	<b>-</b>	<b>5,297</b>	<b>-</b>
<b>Total</b>	<b>(19,465)</b>	<b>49</b>	<b>20,511</b>	<b>99</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 20 Income tax (continued)

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

	Fund 2020 \$'000	Service Entity 2020 \$'000	Fund 2019 \$'000	Service Entity 2019 \$'000
<b>Operating result before income tax expense</b>	<b>80,887</b>	<b>164</b>	<b>885,033</b>	<b>330</b>
Tax at the rate of 15%	12,133	-	132,755	-
Tax at the rate of 30%	-	49	-	99
Non-deductible expenses	16,955	-	7,576	-
Other non-assessable income	(21,865)	-	(16,474)	-
Dividend imputation and foreign tax credits (net)	(29,614)	-	(50,120)	-
Discount on capital gains	(14,573)	-	(15,375)	-
Adjustments for current tax of prior periods	(6,090)	-	80	-
Other movements in deferred tax assets/deferred tax liabilities	23,671	-	(38,680)	-
Other adjustments	(82)	-	-	-
Recovery of anti-detriment payments from ATO	-	-	749	-
<b>Income tax expense</b>	<b>(19,465)</b>	<b>49</b>	<b>20,511</b>	<b>99</b>

In addition to the above \$79,394k (2019: \$77,199k) is recognised in the statement of changes in member benefits relating to net tax on contributions and deducted from member accounts.

	Fund 2020 \$'000	Service Entity 2020 \$'000	Fund 2019 \$'000	Service Entity 2019 \$'000
<b>Deferred income tax</b>				
Deferred income tax at 30 June relates to the following:				
<b>Deferred income tax liabilities</b>				
Taxable temporary differences – assets subject to CGT	212,132	-	226,911	-
Taxable temporary differences – other assets	-	-	1,292	-
	<b>212,132</b>	<b>-</b>	<b>228,203</b>	<b>-</b>
<b>Movements:</b>				
Opening balance at 1 July	228,203	-	230,270	-
Charged/(credited) to the Income Statement	(16,071)	-	(2,067)	-
Closing balance at 30 June	<b>212,132</b>	<b>-</b>	<b>228,203</b>	<b>-</b>

The deferred tax liabilities expected to be settled in more than 12 months are \$212,132k (2019: \$226,911k).



## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 20 Income tax (continued)

	Fund	Service Entity	Fund	Service Entity
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
<b>Deferred income tax assets</b>				
Taxable temporary differences – assets subject to CGT	-	-	-	-
Taxable temporary differences – other assets	4,884	-	5,443	-
	<b>4,884</b>	<b>-</b>	<b>5,443</b>	<b>-</b>
<b>Movements:</b>				
Opening balance at 1 July	5,443	-	12,807	-
Charged/(credited) to the Income Statement	(559)	-	(7,364)	-
Closing balance at 30 June	<b>4,884</b>	<b>-</b>	<b>5,443</b>	<b>-</b>
<b>Net deferred tax liability</b>	<b>207,248</b>	<b>-</b>	<b>222,760</b>	<b>-</b>

The deferred tax assets expected to be settled in more than 12 months are nil (2019: nil).

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

Income tax in the *Statement of financial position* for the year comprises current and deferred tax.

Current income tax expense is the expected tax payable on the taxable income for the year using the concessional tax rate of 15% for Fund income and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by balance date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences.

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

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

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

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

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

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 21 Cash flow statement reconciliation

	2020 \$'000	2019 Restated \$'000
Cash at bank	19,591	5,464
<b>Reconciliation of net cash from operating activities to net profit after Income tax</b>		
(Loss)/profit after income tax	61,601	59,016
<b>Adjustments for:</b>		
Purchases of financial assets	(8,698,496)	(5,259,136)
Sales of financial assets	8,462,968	4,852,058
Purchases of other assets	(1,047)	(2,413)
Sales of property, plant and equipment	1	-
Net change in fair value of financial instruments	241,241	(504,847)
Depreciation	1,014	1,872
Amortisation - Intangible assets	241	1,108
Amortisation – Establishment costs	16	-
Impairment	-	10,691
Increase / (decrease) in employee provisions	(1,015)	-
Net change in defined benefit member benefits	40,287	42,896
Increase / (decrease) in lease liabilities	(1,268)	-
Net benefits allocated to defined contribution members	(1,585)	762,840
Insurance premiums paid	(43,230)	(44,130)
Insurance proceeds received from insurer	29,985	30,229
<i>Change in operating assets / liabilities</i>		
(Increase)/decrease in receivables	10,924	(3,607)
(Decrease)/increase in payables	(939)	2,499
Increase/(decrease) in income tax payable	(23,472)	(9,412)
<b>Net cash outflows from operating activities</b>	<b>77,226</b>	<b>(60,320)</b>

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

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 22 Financial instruments and risk management

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

The Fund has an Investment Governance Framework established by the Trustee. This Framework sets out the Trustees' policies and procedures for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

#### (a) Market risk

##### (i) Foreign exchange risk

The Fund operates internationally and has assets and liabilities denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of securities denominated in foreign currencies fluctuates due to changes in exchange rates.

The Fund's policy is to economically hedge up to 100% of direct foreign currency exposure in the Property, Infrastructure and Alternative sectors and 30% of its currency exposure in the global equities sector, using forward foreign exchange contracts.

The table below summarises the Fund's financial assets and liabilities net exposure to foreign currencies.

	USD \$'000	JPY \$'000	EUR \$'000	GBP \$'000	Other \$'000	Total \$'000
<b>30 June 2020</b>						
Net exposure	2,073,489	71,213	539,730	194,184	140,535	3,019,151
<b>30 June 2019</b>						
Net exposure	1,989,314	82,271	483,476	239,188	195,825	2,990,074

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 22 Financial instruments and risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed interest rates expose the Fund to fair value interest rate risk.

The table below summarises the Fund's direct exposure to interest rate risk including the Fund's use of interest rate swap contracts which are used to manage exposure to interest rate risk.

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>30 June 2020</b>				
<b>Assets</b>				
Cash & cash equivalents	1,756,879	-	-	1,756,879
Fixed interest securities	41,620	1,244,074	-	1,285,694
Listed equity investments & property trusts	-	-	5,422,230	5,422,230
Unlisted equity investments & property trusts	-	-	4,238,821	4,238,821
Derivatives	-	191	149,058	149,249
Other financial assets	-	-	32,894	32,894
	<b>1,798,499</b>	<b>1,244,265</b>	<b>9,843,003</b>	<b>12,885,767</b>
<b>Liabilities</b>				
Derivatives	-	-	(10,628)	(10,628)
Other financial liabilities	-	-	(30,219)	(30,219)
	-	-	<b>(40,847)</b>	<b>(40,847)</b>
<b>Total</b>	<b>1,798,499</b>	<b>1,244,265</b>	<b>9,802,156</b>	<b>12,844,920</b>
<b>30 June 2019</b>				
<b>Assets</b>				
Cash & cash equivalents	761,388	-	-	761,388
Fixed interest securities	23,784	1,458,763	-	1,482,547
Listed equity investments & property trusts	-	-	6,245,234	6,245,234
Unlisted equity investments & property trusts	-	-	4,302,015	4,302,015
Derivatives	109	4,388	58,621	63,118
Other financial assets	-	-	75,057	75,057
	<b>785,281</b>	<b>1,463,151</b>	<b>10,680,927</b>	<b>12,929,359</b>
<b>Liabilities</b>				
Derivatives	(76)	(3,568)	(24,212)	(27,856)
Other financial liabilities	-	-	(36,140)	(36,140)
	<b>(76)</b>	<b>(3,568)</b>	<b>(60,352)</b>	<b>(63,996)</b>
<b>Total</b>	<b>785,205</b>	<b>1,459,583</b>	<b>10,620,575</b>	<b>12,865,363</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 22 Financial instruments and risk management (continued)

#### (a) Market risk (continued)

##### (iii) Price risk

The Fund is exposed to equity security and derivative price risk. This arises from investments held by the Fund for which prices in the future are uncertain. At 30 June, the fair value of equities and related derivatives exposed to price risk were as follows:

	2020	2019
	\$'000	\$'000
Australian equities	4,006,221	3,260,545
International equities	3,887,699	4,727,929
Australian & global listed property	510,297	581,644
Asset backed securities	182,828	106
Emerging markets cash	-	68,277
High yield debt	194,072	165,085
Global infrastructure	879,934	1,743,664
	<b>9,661,051</b>	<b>10,547,250</b>

#### (b) Summarised sensitivity analysis

The Trustee has considered the impact of the Federal Government's response to COVID-19 and other market volatility on the Fund's significant estimates and judgements, the carrying values of its investments and financial risk management framework. Key considerations are as follows:

##### *Significant estimates and judgements*

In preparing these financial statements, the Trustee has taken into account judgements, estimates and assumptions that affect the amounts reported in the financial statements. These estimates and judgements are continually evaluated and are based on historical experience and various other factors, including reasonable expectations of future events. As such, actual results could differ from those estimates.

##### *Investments*

All valuations contain some element of uncertainty and the impact of the Federal Government's response to COVID-19 on the markets in which the underlying investments are made has increased the level of uncertainty and volatility of investment valuations. The Trustee has exercised a higher degree of judgement in measuring the fair value of its investments as at 30 June 2020 and is satisfied that they should continue to be classified as investments with a fair value hierarchy of level 2 and 3.

##### *Risk management*

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

The management of liquidity risk is a key element of the Trustee's investment process and has been subject to increased focus during the COVID-19 pandemic due to Government's superannuation early release measures. This risk is controlled through the Fund's investment in cash trusts and short-term money market accounts. As at 30 June, these cash equivalent assets underpinning the diversified investment options were valued at \$1.2b and could be accessed if required to fund benefits to members seeking early release to their superannuation accounts. Refer to part (c) for liquidity risk disclosures.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 22 Financial instruments and risk management (continued)

(b) Market risk (continued)

(iii) Price risk (continued)

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to members to interest rate risk, foreign exchange risk and price risk. The reasonably possible movements in the risk variables have been based on the Trustee's best estimate, having regard to a number of factors, including advice from the Fund's asset consultants, historical levels of changes in interest rates, foreign exchange rates and market volatility. Actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historical variations in risk variables should not be used to predict future variations in the risk variables.

#### Price Risk

Volatility factors – by asset class	2020	2020	2019	2019
	Reflects higher asset prices	Reflects lower asset prices	Reflects higher asset prices	Reflects lower asset prices
Australian equities	11.0%	(11.0%)	19.5%	(19.5%)
International equities	12.0%	(12.0%)	17.0%	(17.0%)
Australian & global listed property	9.0%	(9.0%)	16.2%	(16.2%)
Asset backed securities	7.0%	(7.0%)	6.3%	(6.3%)
Emerging markets cash	6.0%	(6.0%)	6.0%	(6.0%)
Emerging markets equities	-	-	24.7%	(24.7%)
High yield debt	7.0%	(7.0%)	12.0%	(12.0%)
Global infrastructure	12.0%	(12.0%)	17.0%	(17.0%)
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Effect on net assets available to pay benefits</b>	<b>1,196,774</b>	<b>(1,196,774)</b>	<b>1,853,659</b>	<b>(1,853,659)</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 22 Financial instruments and risk management (continued)

(b) Summarised sensitivity analysis (continued)

#### Interest Rate risk

Volatility factors	2020	2020	2019	2019
	Reflects higher asset prices	Reflects lower asset prices	Reflects higher asset prices	Reflects lower asset prices
Australian sovereign bonds	0.7%	(0.7%)	1.4%	(1.4%)
Australian corporate bonds	0.7%	(0.7%)	1.5%	(1.5%)
International sovereign bonds	0.7%	(0.7%)	0.9%	(0.9%)
International corporate bonds	0.7%	(0.7%)	1.2%	(1.2%)
Australian real yields	0.7%	(0.7%)	1.1%	(1.1%)
International real yields	0.7%	(0.7%)	0.7%	(0.7%)
	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Effect on net assets available to pay benefits</b>	<b>14,155</b>	<b>(14,155)</b>	<b>27,643</b>	<b>(27,643)</b>

#### Foreign Exchange Risk

Volatility factor	Volatility factor	Effect on net assets available to pay benefits	Effect on net assets available to pay benefits	
		to pay benefits	to pay benefits	
%	%	\$'000	\$'000	
Reflecting a stronger AUD	Reflecting a weaker AUD	Gain/(loss) on stronger AUD	Gain/(loss) on weaker AUD	
<b>30 June 2020</b>				
US dollars	7.0%	(7.0%)	(145,144)	145,144
Japanese yen	7.0%	(7.0%)	(4,985)	4,985
Euro	7.0%	(7.0%)	(37,781)	37,781
British pounds	7.0%	(7.0%)	(13,593)	13,593
Other	7.0%	(7.0%)	(9,837)	9,837
			<b>(211,340)</b>	<b>211,340</b>
<b>30 June 2019</b>				
US dollars	11.5%	(11.5%)	(228,776)	228,776
Japanese yen	14.5%	(14.5%)	(11,929)	11,929
Euro	9.9%	(9.9%)	(47,864)	47,864
British pounds	11.0%	(11.0%)	(26,071)	26,071
Other	10.0%	(10.0%)	(19,387)	19,387
			<b>(334,027)</b>	<b>334,027</b>



## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 22 Financial instruments and risk management (continued)

#### (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 primarily hold investments that are traded in an active market and can be readily disposed. The Fund's assets include investments in unlisted investments, property and infrastructure, which are not traded in an organised public market and which generally may be illiquid. As a result, the Board may not be able to liquidate some investments at an amount close to their fair value in order to meet immediate liquidity requirements.

#### (i) Maturities of financial liabilities

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. Liabilities to defined benefit members are payable upon the member meeting a vesting condition (such as resignation or retirement) in accordance with the terms of the Fund's Trust Deed. The Fund considers it is highly unlikely that all liabilities to members would fall due at the same time.

30 June 2020	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Non-derivatives</b>						
Payables/unsettled trades	(44,253)	-	-	-	-	(44,253)
Accrued employee entitlements	(835)	-	-	(270)	(29)	(1,134)
Benefits payable	(135)	-	-	-	-	(135)
Lease liability	(232)	(685)	(1,390)	(7,984)	(3,754)	(14,045)
Defined contribution member liabilities	(11,426,501)	-	-	-	-	(11,426,501)
<b>Total Non-derivatives</b>	<b>(11,471,956)</b>	<b>(685)</b>	<b>(1,390)</b>	<b>(8,254)</b>	<b>(3,783)</b>	<b>(11,486,068)</b>
<b>Gross settled derivatives</b>						
Inflow	1,491,208	2,195,948	-	799	-	3,687,955
(Outflow)	(1,491,208)	(2,175,463)	-	(797)	-	(3,667,468)
<b>Net settled derivatives</b>	<b>-</b>	<b>20,485</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>20,487</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 22 Financial instruments and risk management (continued)

(c) Liquidity risk (continued)

(i) *Maturities of financial liabilities (continued)*

30 June 2019	Less than 1 month \$'000	1–3 months \$'000	3–12 months \$'000	1–5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Non-derivatives</b>						
Payables/unsettled trades	(52,161)	-	-	-	-	(52,161)
Accrued employee entitlements	(1,787)	-	-	(350)	(19)	(2,156)
Benefits payable	(25)	-	-	-	-	(25)
Defined contribution member liabilities	(11,414,072)	-	-	-	-	(11,414,072)
<b>Total Non-derivatives</b>	<b>(11,468,045)</b>	<b>-</b>	<b>-</b>	<b>(350)</b>	<b>(19)</b>	<b>(11,468,414)</b>
<b>Gross settled derivatives</b>						
Inflow	1,278,462	2,411,950	40,714	314,795	-	4,045,921
(Outflow)	(1,278,462)	(2,474,933)	(47,732)	(313,492)	-	(4,114,619)
<b>Net settled derivatives</b>	<b>-</b>	<b>(62,983)</b>	<b>(7,018)</b>	<b>1,303</b>	<b>-</b>	<b>(68,698)</b>

(d) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The main credit risks, to which the Fund is exposed, arise from the Fund's investment in interest-bearing securities. The Fund is also exposed to credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables. The Trustee monitors the Fund's credit risk exposure on a regular basis.

(i) *Fixed interest securities*

The Fund invests in fixed-interest securities which are rated by Standard and Poor's. For unrated assets the Trustee assesses credit risk using an approach similar to that used by rating agencies. An analysis of debt securities by rating is set out in the following table.

	AAA to AA \$'000	A+ to A- \$'000	BBB+ to BB+ \$'000	CCC+ \$'000	Not Rated \$'000	Total \$'000
<b>2020</b>	1,007,230	146,630	97,766	-	34,068	1,285,694
<b>2019</b>	1,116,696	244,290	95,776	-	25,785	1,482,547

(ii) *Settlement of securities transactions*

All transactions in listed securities are settled for upon delivery using brokers approved by the Trustee. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment.

(iii) *Cash and cash equivalents*

The Fund's exposure to credit risk for cash and cash equivalents is considered low as all counterparties have a rating of AA (as determined by Standard and Poor's) or higher.

(iv) *Assets in custody*

Substantially all of the Fund's assets are held in custody by JP Morgan Chase Bank (rated A+), which also manages clearing and depository function for the Fund's security transactions. The financial position and credit quality of the custodian is monitored by the Trustee.

(v) *Maximum exposure to credit risk*

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 23 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

The Fund considers all investments in managed investment schemes (funds) to be structured entities. The Fund invests in underlying managed funds for the purpose of capital appreciation and/or earning investment income.

The investee funds' objectives are to achieve medium to long-term capital growth. The investee funds invest in a number of different financial instruments, including equities and debt instruments. The investee funds finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets.

The exposure to investments in investee funds at fair value, by investment strategy, is disclosed below:

	Fair value of investment 2020 \$'000	Fair value of investment 2019 \$'000
Australian property funds	174,914	165,224
Australian infrastructure funds	556,570	482,100
Australian alternative funds	811,162	854,126
International infrastructure funds	254,538	258,913
	<b>1,797,184</b>	<b>1,760,363</b>

The Fund's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in the investee funds.

During the year ended 30 June 2020, net fair value gains on investments in investee funds were \$16,685k (2019: net fair value loss \$59,287k).

During the year the Fund earned fair value gains and distribution income as a result of its interests in other funds.

### Note 24 Auditors' remuneration

	2020 \$	2019 \$
Amount received or due and receivable by PricewaterhouseCoopers:		
- Audit of financial statements and APRA return	300,767	205,737
- Taxation services	228,314	219,137
- Specified assertions audit on custodian balances and agreed upon procedures	37,780	37,549
- Other	97,625	32,078
<b>Total</b>	<b>664,486</b>	<b>494,501</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 25 Related parties

#### Details of compensation

Key management personnel include both Directors and executives who have authority and responsibility for planning, directing and controlling the activities of the Fund.

#### (a) Directors

The following persons were Directors of LGIASuper Trustee for the year ended 30 June 2020:

Director	Director and committee member	Representative body	Appointment date	Resignation / term expired date
Mr J S Smith	Chair and committee member	Independent	1 December 2013 1 October 2016-Chair	
Mr R R Dewhurst	Director and committee member	Independent	6 June 2018	
Mr P Kazacos OAM	Director and committee member	Independent	8 December 2016	
Cr M B Jamieson	Director and committee member	Employer representative	1 July 2018	
Mr M W Bourke	Director and committee member	Employer representative	1 July 2016	
Cr C J O'Neil	Director and committee member	Employer representative	20 October 2016	
Ms R Heit	Director and committee member	Member representative	1 July 2018	
Mrs J J Sanders	Director	Member representative	1 July 2018	
Mr R J Burton PSM	Director and committee member	Member representative	1 July 2018	

To assist the Trustee in their functions, special advisors to Trustee committees have been appointed by the Trustee.

The following persons were special advisors to Trustee committees for the year ended 30 June 2020:

Name	Position	Committee	Appointment date
Mr M Petrie	Special Advisor	Audit and Risk Management Committee	1 February 2017
Mr A Cormie	Special Advisor	Investment Committee	2 February 2017
Mr J Wilson	Special Advisor	Investment Committee	6 February 2019

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 25 Related parties (continued)

#### (b) Executives

The Chief Executive Officer (CEO) is appointed by LGIAsuper Trustee. The CEO in turn appoints the executives. The following persons were executives of LGIAsuper Trustee for the year ended 30 June 2020:

	Position	Appointment date	Resignation date	Employment terms
Ms K L Farrar	Chief Executive Officer	16 April 2018		Executive contract
Mr D J Todd	Chief Investment Officer (former)	16 April 2018	30 September 2019	Executive contract
Mr P C Gamin	Chief Financial Officer & Chief Risk Officer	21 January 2013	30 October 2019	Executive contract
Ms E K Noonan	Chief Operating Officer	11 August 2018		Executive contract
Mr G L Hollier	Chief Financial Officer	03 September 2018		Executive contract
Ms A R Peters	Chief Growth Officer	02 October 2018		Executive contract
Mr I O Ortiz	Chief Technology Officer	01 January 2019		Executive contract
Mr T Rieck	Chief Investment Officer	23 September 2019		Executive contract
Mr S Chan	Chief Risk Officer	01 October 2019		Executive contract
Ms S Sorrenson	General Counsel and Company Secretary	01 October 2019		Executive contract

#### (c) Remuneration of Directors

	2020	2019
	\$'000	\$'000
Short-term benefits	827	851
Post-employment benefits	118	113
<b>Total remuneration</b>	<b>945</b>	<b>964</b>

#### Special Advisors

	2020	2019
	\$'000	\$'000
Short-term benefits	72	42
Post-employment benefits	2	1
<b>Total remuneration</b>	<b>74</b>	<b>43</b>

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 25 Related parties (continued)

#### (c) Remuneration of Directors (continued)

Governance of remuneration arrangements for Directors occurs through the Trustee. The Trustee considers industry practice, an external independent review every two years and members' interests in setting Directors' fees. All Directors are reimbursed for reasonable expenses incurred while conducting business on behalf of the Fund.

All remuneration is paid directly to each Director or their nominated service entity. No remuneration is paid to representative organisations. The remuneration shown above is the full remuneration and no Director receives remuneration from related parties for their role as a Director of LGIAsuper Trustee.

In April 2020, the Board considered the significant impact of COVID-19 to fund members. To demonstrate their solidarity with members during these unprecedented times, they committed to a 10% decrease in remuneration until 30 June 2020. The executive leadership team also committed to a 10% decrease through the sacrifice of annual leave entitlements.

#### (d) Remuneration of executives

	2020	2019
	\$'000	\$'000
Short-term benefits	3,318	3,045
Post-employment benefits	245	243
Termination benefits	486	552
<b>Total remuneration</b>	<b>4,049</b>	<b>3,840</b>

For full remuneration details of Directors and Executives, please visit [lgiasuper.com.au](http://lgiasuper.com.au)

Executives and management staff are employed under individual employment contracts and are paid under packaging arrangements. Remuneration is benchmarked with market rates for employees in the financial services industry every two years by an external independent expert.

Other staff are employed in line with award-based and contract conditions.

#### (e) Related party transactions

The Trustee for Grimes Investments Trust was engaged during the year to provide lease management services to the Fund. Grimes Investments Trust is a related party to Ms K L Farrar. An amount of \$6,000 (2019: \$5,000) was paid during the year to Grimes Investments Trust. The engagement is on normal commercial terms and conditions and was approved by the Board prior to commencement and was managed separately from Ms K L Farrar.

The Fund undertakes transactions with its wholly owned subsidiary LGIAsuper Services Pty Ltd. A net intercompany payable is owed to LGIAsuper Services Pty Ltd by the Fund in the amount of \$273k (2019: \$374k) in relation to operating and capital expenses incurred by the Services Entity on behalf of the Fund. A distribution of \$175k (2019: nil) was paid during the year.

There are no other related party transactions between either the Trustee or the Fund and key management personnel or employees.

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 26 Commitments and contingent liabilities

(a) Except for the liability for accrued benefits (Refer Note 16) there were no material contingent assets or liabilities of a significant value at balance date.

(b) The Fund's infrastructure and property investment programs result in the Fund entering into arrangements with investment managers which can result in undrawn commitments of less than one year.

Details of investment commitments are as follows:

	2020	2019
	\$'000	\$'000
Not later than one year	938,841	722,320
<b>Total</b>	<b>938,841</b>	<b>722,320</b>

(c) Operating lease commitments

From 1 July 2019, the Fund has recognised right-to-use assets for its leases, refer to note 12 for further information.

	2020	2019
	\$'000	\$'000
Not later than one year	-	2,879
Later than one year and not later than five years	-	9,422
Later than 5 years	-	7,424
<b>Total</b>	<b>-</b>	<b>19,725</b>

### Note 27 Significant post balance date events

There have been no other matters or circumstances not otherwise dealt with in the financial report that have significantly affected or may significantly affect the Fund since the end of the financial year.



## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Note 28 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	<b>2020</b>	<b>2019</b>	<b>1 July</b>
		<b>Restated</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>Restated</b>
			<b>\$'000</b>
Total assets	12,895,582	12,909,241	12,069,114
Total liabilities	227,044	261,732	334,425
Net assets available for member benefits	12,668,538	12,647,509	11,734,689
Total member liabilities	12,331,758	12,300,433	11,477,396
Net assets	336,780	347,076	257,293
Reserves	336,780	347,076	257,293
Operating result after income tax	61,661	58,785	

## Notes to and forming part of the financial statements for the year ended 30 June 2020

### Trustee's declaration

In the opinion of the Directors of LGIASuper Trustee:

- (a) The accompanying financial statements and notes set out on pages 3 to 43 are in accordance with:
  - (i) Australian Accounting Standards and other mandatory professional reporting requirements, and
  - (ii) Present fairly the Fund's financial position as at 30 June 2020 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 2020; 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 LGIASuper Trustee as trustee for LGIASuper.



**John S Smith**

Chair



**Peter Kazacos OAM**

Chair Audit and Risk Management Committee

24 September 2020  
Brisbane



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

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

*Report by the RSE Auditor to LGIASuper Trustee (the trustee) of LGIASuper (the RSE) (ABN: 23 053 121 564)*

#### ***Opinion***

I have audited the financial statements of LGIASuper for the year ended 30 June 2020 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves, Statement of Cash Flows and corresponding notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards, the financial position of LGIASuper as at 30 June 2020 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2020.

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

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

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

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

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

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

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

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor'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.

PricewaterhouseCoopers

George Sagonas  
Partner

Melbourne  
24 September 2020