

The University of Adelaide Superannuation Scheme A 1985

**ANNUAL FINANCIAL STATEMENT
for the year ended 30 JUNE 2018**

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THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 \$ | 2017 \$ |
|--|-------|-------------------|-------------------|
| Asset | | | |
| Cash Assets | | | |
| Cash | | 1,298,570 | 299,369 |
| Cash equivalents | | 3,038,487 | 3,137,469 |
| Receivables | | | |
| Income receivable | | 447,561 | 354,015 |
| Sundry receivable | | 24,290 | 15,755 |
| GST receivable | | 5,443 | 2,239 |
| Investments | | | |
| Units in unit trusts | 12 | 11,362,548 | 10,839,276 |
| Other Assets | | | |
| Current tax assets | 10(c) | - | - |
| Deferred tax assets | 10(d) | 22,801 | 49,334 |
| Total Assets | | 16,199,700 | 14,697,457 |
| Liabilities | | | |
| Payables | | | |
| Other payables | 13 | 14,050 | 18,097 |
| Current tax liabilities | 10(c) | 178,849 | 16,673 |
| Deferred tax liabilities | 10(d) | 44,071 | 22,121 |
| Total liabilities excluding member benefits | | 236,970 | 56,891 |
| Net assets available for member benefits | | 15,962,730 | 14,640,566 |
| Defined benefit member liabilities | | 14,579,560 | 14,846,758 |
| Total net assets/(liabilities) | | 1,383,170 | (206,192) |
| Equity | | | |
| ORFR Reserves | 7 | 38,487 | 37,469 |
| Defined benefits that are (under)/over funded | | 1,344,683 | (243,661) |
| Total equity (deficit) | | 1,383,170 | (206,192) |

THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

| | Notes | 2018 \$ | 2017 \$ |
|---|-------|------------------|----------------|
| Investment Revenue | | | |
| Interest | | 91,725 | 60,595 |
| Changes in net market value | 8 | 523,272 | 248,975 |
| Trust distributions | | 672,048 | 555,025 |
| Sundry | | 15 | 14 |
| Total net income | | 1,287,060 | 864,609 |
| Expenses | | | |
| General administration expenses | 9 | 288,478 | 239,987 |
| Total expenses | | 288,478 | 239,987 |
| Results from superannuation activities before income tax expense | | 998,582 | 624,622 |
| Income tax expense/(benefit) | 10(a) | (39,286) | (60,770) |
| Results from superannuation activities after income tax expense | | 1,037,868 | 685,392 |
| Net change in defined benefit member benefit | | 551,494 | (364,342) |
| Operating result after income tax | | 1,589,362 | 321,050 |

THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2018

| | 2018 \$ |
|---------------------------------------|-------------------|
| Balance at 1 July 2017 | 14,846,758 |
| Employer Contributions | 2,232,376 |
| Member Contributions | 16,743 |
| Income tax on contributions | (334,856) |
| Net after tax contributions | 1,914,263 |
| Benefits to members or beneficiaries | (1,629,967) |
| Net change in member defined Benefits | 551,494 |
| Balance at 30 June 2018 | 14,579,560 |

| | 2017 \$ |
|---------------------------------------|-------------------|
| Balance at 1 July 2016 | 14,708,000 |
| Employer Contributions | 664,561 |
| Member Contributions | 30,329 |
| Income tax on contributions | (99,684) |
| Net after tax contributions | 595,206 |
| Benefits to members or beneficiaries | (820,790) |
| Net change in member defined Benefits | (364,342) |
| Balance at 30 June 2017 | 14,846,758 |

THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

| | Operational risk reserves | DB over/(under) funded | Total Equity |
|-------------------------------------|------------------------------|------------------------------|------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2017 | 37,469 | (243,661) | (206,192) |
| Transfer to DB member accounts | - | - | - |
| Transfer from DB member accounts | - | - | - |
| Operating result | 1,018 | 1,588,344 | 1,589,362 |
| Balance at 30 June 2018 | 38,487 | 1,344,683 | 1,383,170 |

| | Operational risk reserves | DB over/(under) funded | Total Equity |
|-------------------------------------|------------------------------|------------------------------|------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2016 | 36,155 | (563,397) | (527,242) |
| Transfer to DB member accounts | - | - | - |
| Transfer from DB member accounts | - | - | - |
| Operating result | 1,314 | 319,736 | 321,050 |
| Balance at 30 June 2017 | 37,469 | (243,661) | (206,192) |

THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 \$ | 2017 \$ |
|--|-------|------------------|--------------------|
| Cash flows from operating activities | | | |
| Interest income received | | 90,722 | 60,609 |
| Distribution income received | | 578,502 | 480,001 |
| Administration and Trustee fees paid | | (312,063) | (265,479) |
| GST received | | (73,307) | 9,444 |
| Tax paid | | 96,896 | 99,794 |
| Net cash (used in)/provided by operating activities | 11 | 380,750 | 384,369 |
| Cash Flows from Investing Activities | | | |
| Sales of financial instruments | | 15,191,742 | 9,761,147 |
| Purchases of financial instruments | | (15,090,602) | (10,874,703) |
| Net cash (used in)/provided by investing activities | | 101,140 | (1,113,556) |
| Cash flows from financing activities | | | |
| Employer contributions received | | 2,232,376 | 664,561 |
| Member contributions received | | 11,920 | 30,329 |
| Benefits paid | | (1,627,301) | (820,790) |
| Tax paid on contributions | | (99,684) | (161,786) |
| Net Cash (used in)/provided by financing activities | | 517,311 | (287,686) |
| Net increase/(decrease) in cash and cash equivalents | | 999,201 | (1,016,873) |
| Cash at beginning of the financial year | | 299,369 | 1,316,242 |
| Cash at end of the financial year | | 1,298,570 | 299,369 |

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

THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The University of Adelaide Superannuation Scheme A 1985 (**the Fund**) is a superannuation fund domiciled in Australia. The address of the Fund's registered office is 50 Hindmarsh Square, Adelaide, SA, 5000.

The Fund is constituted by a trust deed dated 13 May 1987. The trustee of the Fund is Tidswell Financial Services Ltd (ABN 55 010 810 607) (**TFSL**).

These financial statements were authorised for issue by the Board of Directors of the trustee company on 25 September 2018.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standard AAS 1056: Financial Reporting by Superannuation Plans, other applicable Accounting Standards, the provisions of the Fund's trust deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the Australian Accounting Standards Board, however certain requirements of AAS25 differ from the equivalent requirements that would be required under IFRS.

The Board of Directors of the Trustee approved "in principle" decision to transfer all of the members and assets of the Fund, on a "successor fund transfer" basis, to a new plan known as SignatureSuper, which is managed by AMP. It is proposed that following the transfer the Fund will be wound up. The current proposed date for the transfer is 1 October 2018.

The financial report has not been prepared on a going concern basis and no additional adjustments were required to restate the assets held at 30 June 2018 as they were already valued at fair value.

The financial report has been prepared on an accruals basis and is presented in Australian dollars, being the functional currency of the Fund. The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

Accounting Policies

a) Measurement of Assets and Liabilities

Assets of the Fund have been measured at fair value. Changes in the fair values of assets are brought to account in the Statement of Financial Position in the periods in which they occur, except where otherwise stated. Fair values have been determined as follows:

- (1) unit trust investments by reference to the unit redemption price at the reporting date;

Financial liabilities, which are all current in nature, are measured at the gross value of the outstanding balance at year-end.

Other assets, which are all current in nature, are carried at the fair value of amounts due to be received.

b) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Distributions from managed funds are recognised as income at the distribution date.

Changes in the fair values of investments (including investment property) are recognised as income and are determined as the difference between the fair value at year-end or consideration received (if

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

sold during the year) and the fair value as at the prior year-end or cost (if the investment was acquired during the period).

Contributions received are recognised when the control and the benefits from the revenue have transferred to the Fund and are recognised gross of any taxes.

All revenue received arises from the operating activities of the Fund.

c) Goods and Services Tax

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 Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Net Assets are shown inclusive of GST.

d) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the statement of changes in net assets is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantively enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable changes in net assets.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

e) Receivables and Other Payables

Receivables are carried at nominal amounts due which approximate fair value.

Other payables are recognised when the Fund is obligated to make future payments for services received and are carried at the net market value of the amount payable.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at call deposits with banks, and short term highly liquid investments that are readily convertible to cash and are subject to insignificant risk of change in value.

g) Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

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 4.

h) Accounting Standards issued but not yet effective and not been adopted early by the Fund

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

AASB 9 Financial Instruments (and applicable amendments), (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The mandatory date of application is annual reporting periods beginning on or after 1 January 2018.

The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main source of income are managed fund distributions, unit trust income, dividends, interest, and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. OPERATION OF THE FUND

The Fund was established under a trust deed dated 13 May 1987.

The Fund is a defined benefit scheme and the objective of the Trustee is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable.

3. FUNDING ARRANGEMENTS

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

Members contribute to the Fund at the following rates:

- up to age 45, 6% of salaries, or
- age 45 and over, 6% of salary plus 2% of any increases to salary after age 45.

The Trust Deed provides that unless otherwise agreed, the University shall make contributions at a rate that the Trustee, having proper regard to the advice of the actuary, determines is required to meet the balance of the cost of the benefits after allowing for contributions by the Members.

~~The rate of employer contributions recommended by the actuary for the year was 17.3% (2017: 17.3%) plus additional contributions in accordance with the agreed contributions program.~~

4. LIABILITY FOR ACCRUED BENEFITS

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries. It has been calculated based on the present value of the expected future payments that arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to the expected future salary levels and by application of the market-based, risk-adjusted discount rate and relevant actuarial assumptions.

The approximation of the value of member liabilities as at 30 June 2018 was calculated by the Trustee based on the actuary's Statement of Advice – AASB 1056 disclosure. The valuation of member liabilities as at 1 July 2017 was undertaken by the actuary as part of a comprehensive actuarial review dated 1 July 2017.

| | 30 June 2018 | 30 June 2017 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Liability for accrued benefits | 14,580,000 | 14,847,000 |
| Comparison to net asset available to pay benefits | 15,963,000 | 14,641,000 |

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

- The future rate of investment return earned on the Fund's investments would be 5.6% (2017: 5.9%)
- The future rate of salary increases would be 3% (2017: 3%)

As at 1 July 2017 the Fund was in a satisfactory financial position as the assets attributed to defined benefits of \$14,603,000 (2016: \$14,181,000) were sufficient to meet the Liability for Vested Benefits of \$14,201,000 (2016: \$13,954,000) resulting in a Vested Benefits Index of 102.83% (2016: 101.63%). These vested benefit liabilities assume 50% of members take a pension and 50% take a lump sum at retirement.

The financial position for the Fund as at 1 July 2018 cannot be ascertained as the Liability for Vested Benefits for 30 June 2018 has yet to be calculated by the Fund's actuary as part of the annual comprehensive actuarial review.

THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

5. VESTED BENEFITS

Vested benefits are benefits that are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership as at the reporting date.

| | 30 June 2018 \$ | 30 June 2017 \$ |
|---------------------|--------------------|--------------------|
| Vested Benefits (1) | 14,579,560 | 14,846,758 |

(1) Vested benefits for active members represent their lump sum benefit payable at 30 June. For pensioners, it represents the present value of assets to support the pensions payable.

6. GUARANTEED BENEFITS

No guarantees have been made by the Trustee in respect of any part of the accrued benefits. The University of Adelaide has covenanted to ensure the benefits as set down in the Trust Deed will be paid irrespective of the performance of the Fund.

a) Defined Benefit Member Liabilities

The Fund engages a qualified actuary (Mercer Consulting (Australia) Pty Ltd) to measure the defined benefits members' liabilities. The Fund has no information that would lead to adjustments to the assumptions which are all unchanged from the comprehensive actuarial investigation as at 1 July 2017.

Suitable funding objectives have been established to manage the risks associated with the defined benefit plan. These funding objectives and the defined benefit fund's circumstances are considered by the actuary when recommending the required employer contribution levels.

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

The defined benefit members' liabilities have changed in the current financial year as a result of various factors including investment returns, contributions, salary increases and additional service accrual.

The key assumption used to determine the values of accrued benefits for the Plan was:

- The future rate of investment earnings: 5.6 % (2017: 5.9%)

The following are sensitivity calculations on a univariate basis for the investment return assumptions for the defined benefit plan. No sensitivity calculations are included for changes in salary adjustment rates as the benefits are not directly dependant on salary amounts.

| | Assumption | Assumed at Reporting Date | Reasonable Possible Change | Amount of (increase) decrease in member benefit liabilities \$ |
|------|-------------------|---------------------------------|----------------------------------|--|
| 2018 | Investment return | 5.6% | + 1% | (987,573) |
| | | | - 1% | 1,141,311 |
| 2017 | Investment return | 5.9% | + 1% | (1,206,243) |
| | | | - 1% | 1,403,043 |

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

7. OPERATIONAL RISK RESERVE

The operational risk financial reserve (ORFR) is a reserve to provide funding for incidents where material losses may arise from operational risks. The level of the reserve is determined by the Board based on an assessment of the risks faced by the Fund. The Trustee has assessed an ORFR target amount of 0.25% of liabilities in respect of vested benefits as appropriate, which is maintained as a term deposit held within the Fund.

| | \$ |
|--------------------------------|---------------|
| Balance at 30 June 2016 | 36,155 |
| Transfers to Reserve | - |
| Interest earned | 1,314 |
| Balance at 30 June 2017 | 37,469 |
| Transfers to Reserve | - |
| Interest earned | 1,018 |
| Balance at 30 June 2018 | 38,487 |

8. CHANGES IN NET MARKET VALUE OF INVESTMENTS

| | 2018 \$ | 2017 \$ |
|---|----------------|-----------------|
| Investments realised during the year | | |
| Vanguard Australian Government Bond Index Fund | 173 | - |
| Vanguard Property Securities Index Fund | - | (15,646) |
| Ironbark Copper Rock Emerging Markets Opp. Fund | - | (27,790) |
| PIMCO EQT Wholesale Diversified Fixed Interest Fund | - | 3,494 |
| Platinum International Fund – C Class | - | 27,816 |
| Total realised change in market value | 173 | (12,126) |
| Investments held at reporting date | | |
| BlackRock International Gold Fund – D Class | (35,838) | (157,637) |
| Janus Henderson W/S Global Natural Resources Fund (formerly Colonial First State W/S Global Resources) | 72,455 | 11,768 |
| Franklin Global Growth Fund – W Class | 72,480 | (27,857) |
| Fidelity Australian Equities Fund | 308,946 | 163,464 |
| Magellan Global Fund | 32,286 | (22,984) |
| Nikko AM – Tyndall Australian Share W/S Portfolio | (22,979) | 362,035 |
| PIMCO EQT Wholesale Diversified Fixed Interest Fund | 1,044 | 497 |
| Platinum International Fund – C Class | 9,416 | 42,380 |
| Schroders Balanced Fund – Professional Class | 49,911 | (22,211) |
| Vanguard Australian Government Bond Index Fund | (439) | (36,563) |
| Vanguard Property Securities Index Fund | 35,817 | (51,791) |
| Total unrealised change in market value | 523,099 | 261,101 |
| Total Changes in Net Market Value | 523,272 | 248,975 |

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

9. GENERAL ADMINISTRATION EXPENSES

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$ | \$ |
| Trustee Fees | 176,282 | 174,491 |
| APRA Fees | 8,261 | 3,321 |
| Bank charges | 193 | 154 |
| Consulting fees – Actuarial fees | 93,094 | 55,891 |
| Trustee expenses | 2,757 | 4,200 |
| Policy Committee Expenses | 1,280 | 1,930 |
| Legal Fees | 6,611 | - |
| Sponsorship | - | - |
| Marketing | - | - |
| Total General Administration Expenses | 288,478 | 239,987 |

10. TAXATION

(a) The components of tax expense comprise:

| | 2018 | 2017 |
|---|----------|----------|
| | \$ | \$ |
| Current income tax | | |
| - Current tax charge | (91,979) | (83,011) |
| - Adjustment to current tax for prior year | 2,146 | 768 |
| Deferred Income tax | | |
| - Relating to the origination and reversal of Temporary differences | 50,547 | 21,473 |
| Income tax expense/(benefit) | (39,286) | (60,770) |

(b) Prima facie tax on benefits accrued before income tax is reconciled to income tax as follows:

| | \$ | \$ |
|--|----------|----------|
| Prima facie tax payable on operating result before income tax at 15% (2017: 15%) | 149,787 | 93,693 |
| Tax effect of income that is not assessable in determining taxable income | | |
| - Tax exempt distributions | - | (52) |
| - (Unrealised Gains)/Unrealised Losses | (53,214) | (29,215) |
| - Exempt pension income | (64,606) | (55,894) |
| Tax effect of expenses that are not deductible in determining taxable income | | |
| - Non-deductible expenses | 3,063 | 7,548 |
| Tax effect of other adjustments | | |
| - Imputation & foreign tax credits | (74,249) | (72,856) |
| - Realised gains booked at 10% | - | (2,384) |
| - Self insured premium | (2,213) | (2,378) |
| - Under/(over) provision prior periods | 2,146 | 768 |
| Income tax expense/(benefit) | (39,286) | (60,770) |

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NOTES TO FINANCIAL STATEMENTS
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10. TAXATION (CONTINUED)

| | 2018 | 2017 |
|---|----------------|---------------|
| | \$ | \$ |
| c) Current tax (assets)/liabilities | | |
| Balance at beginning of year | 16,673 | 61,223 |
| Income tax (paid)/refunded – current period | (66,093) | - |
| Income tax (paid)/refunded – prior periods | (18,819) | (61,991) |
| Current years income tax provision | (91,979) | (83,011) |
| Under/(over) provision prior periods | 2,146 | 768 |
| Tax on contributions | 334,856 | 99,684 |
| Tax on capital gains | 2,065 | - |
| Current Tax Liability | 178,849 | 16,673 |

(d) Deferred tax assets and liabilities

| | Opening Balance \$ | Charged to Income \$ | Closing Balance \$ |
|--|--------------------------|----------------------------|--------------------------|
| <u>Deferred Tax Assets</u> | | | |
| - Accrued Expenses | 217 | (27) | 190 |
| - Investments | <u>57,632</u> | <u>(8,488)</u> | <u>49,144</u> |
| Balance at 30 June 2017 | <u>57,849</u> | <u>(8,515)</u> | <u>49,334</u> |
| - Accrued Expenses | 190 | 585 | 775 |
| - Investments | <u>49,144</u> | <u>(27,118)</u> | <u>22,026</u> |
| Balance at 30 June 2018 | <u>49,334</u> | <u>(26,533)</u> | <u>22,801</u> |
| <u>Deferred Tax Liabilities</u> | \$ | \$ | \$ |
| - Investments | <u>9,164</u> | <u>12,957</u> | <u>22,121</u> |
| Balance at 30 June 2017 | <u>9,164</u> | <u>12,957</u> | <u>22,121</u> |
| - Investments | <u>22,121</u> | <u>21,950</u> | <u>44,071</u> |
| Balance at 30 June 2018 | <u>22,121</u> | <u>21,950</u> | <u>44,071</u> |

11. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

a) Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$ | \$ |
| Operating result after tax | 1,589,362 | 321,050 |
| Adjusted for: | | |
| Revaluation of investments | (523,272) | (248,975) |
| Net benefits allocated to members | (551,494) | 364,342 |
| Increase/(decrease) in tax paid | (24,513) | 39,024 |
| (Increase)/decrease in GST receivable | (3,204) | (4) |
| Increase/(decrease) in payables | (4,047) | (15,803) |
| (Increase)/decrease in receivables | (102,082) | (75,265) |
| Net cash (outflow)/inflow from operating activities | 380,750 | 384,369 |

b) Non-cash financing and investing activities

There were no non-cash financing activities during the year

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12. UNITS IN UNIT TRUSTS

| | 2018 \$ | 2017 \$ |
|---|-------------------|-------------------|
| BlackRock International Gold Fund – D Class | 595,970 | 631,807 |
| Janus Henderson W/S Global Natural Resources Fund (formerly Colonial First State W/S Global Resources) | 457,495 | 385,040 |
| Franklin Global Growth Fund – W Class | 444,622 | 372,143 |
| Fidelity Australian Equities Fund | 2,898,570 | 2,589,624 |
| Magellan Global Fund | 409,301 | 377,016 |
| Nikko AM - Tyndall Australian Share W/S Portfolio | 2,490,960 | 2,513,939 |
| PIMCO EQT Wholesale Diversified Fixed Interest Fund | 596,749 | 595,705 |
| Platinum International Fund | 442,247 | 432,831 |
| Schroders Balanced Fund | 1,377,427 | 1,327,515 |
| Vanguard Australian Government Bond Index Fund | 627,814 | 1,128,080 |
| Vanguard Property Securities Index Fund | 1,021,393 | 485,576 |
| Total Units in Unit Trusts | 11,362,548 | 10,839,276 |

13. CREDITORS AND ACCRUALS

| | 2018 \$ | 2017 \$ |
|-------------------------------------|---------------|---------------|
| APRA fees | 5,165 | 1,267 |
| Consulting fees | 5,778 | 16,830 |
| Other | 3,107 | - |
| Total Creditors and Accruals | 14,050 | 18,097 |

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

14. RELATED PARTIES

a) Trustee

The Trustee of the Fund during the financial year to 30 June 2018 was Tidswell Financial Services Ltd (ABN 55 010 810 607), 50 Hindmarsh Square, Adelaide, South Australia.

The names of the directors of TFSL who held office during the year are:

| | | |
|------------------------|-----------------------------------|---|
| Michael John Terlet AO | Non-Executive Director - Chairman | Appointed 19 April 1991 |
| Ronald Peter Beard | Executive Director | Appointed 20 August 2012 |
| Stephen John Heath | Non-Executive Director | Appointed 14 May 1999 resigned 29 September 2017 |
| Jeffrey Keith Tidswell | Executive Director | Appointed 11 May 1988 resigned 29 September 2017 |
| Christine Haido Liosis | Executive Director | Appointed 1 October 2016 resigned 29 September 2017 |
| Michael Gerard O'Neill | Non-Executive Director | Appointed 1 October 2016 resigned 29 September 2017 |
| Susan Zabrud | Non-Executive Director | Appointed 28 October 2016 resigned 20 March 2018 |
| Fiona McNabb | Non-Executive Director | Appointed 29 September 2017 |
| Tony O'Grady | Non-Executive Director | Appointed 29 September 2017 – resigned 8 November 2017 |
| Stephen Merlicek | Non-Executive Director | Appointed 29 September 2017 – resigned 23 January 2018 |
| Stephen Miller | Non-Executive Director | Appointed 29 September 2017 |
| Andrew Peterson | Executive Director | Appointed 20 March 2018 |

These directors are considered to be key management personnel of the Fund.

Key management personnel compensation

No amounts are paid by the Fund or the Employer Company directly to the directors of the Trustee in connection with the management of the Fund. Fees paid by the Fund to the Trustee, as approved by the Trustee Agreement, are disclosed at (b) below.

TFSL as an independent trustee has established a Policy Committee as a conduit between the members, the University of Adelaide and itself. The following people were members of the Policy Committee during periods from 1 July 2017 to 30 June 2018:

Mr Michael Guerin
Mr Peter Zalewski
Mr Geoff Purdie
Mr Andre Scott

These committee members are considered to be key management personnel of the Fund. Remuneration of the committee members by the fund is disclosed at (b) below.

For the year ended 30 June 2018 Mr Geoff Purdie received a fee for attendance at Policy Committee Meetings of \$1,280 (2017: \$1,931), and reimbursement of expenses incurred associated with the management of the Fund of \$Nil (2017: \$Nil).

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

b) Trustee's Fees

Fees paid by the Fund to the Trustee for the year ended 30 June 2018 amounted to \$176,282 (2017: \$174,491). Trustee fees are calculated in accordance with the Trustee Agreement. The Trustee was also reimbursed for expenses incurred associated with the management of the fund of \$2,756 (2017: \$4,200), Trustee fees and expenses charged for the period are disclosed in the Income Statement.

At reporting date, an amount of \$15,166 (2017: \$14,804) was receivable from the Trustee. This amount relates to the re-imbursalment of Actuarial Fees paid by the Fund during the period in accordance with the Trustee Agreement.

c) Employer Company

The University of Adelaide is the employer and contributions to the Fund are disclosed in the Statement of Changes in Net Assets. Reimbursements for the Committee member attendances are disclosed at (a) above.

15. AUDITOR'S REMUNERATION

Auditor remuneration in relation to the Fund for the year ended 30 June 2018 totalled \$34,337 (2017: \$15,361). This is comprised of \$34,337 (2017: \$15,361) for audit services and \$Nil (2017: \$Nil) for other services. Auditor remuneration in respect of the Fund is paid by the Trustee in accordance with the Trustee Agreement.

16. FINANCIAL INSTRUMENTS

Financial Risk Management

The Fund maintains positions in a variety of non-derivative financial instruments as dictated by the Fund's published investment strategy. Investments of the Fund, (other than cash held for liquidity purposes), comprise units in collective investment vehicles and predominantly registered managed investment schemes.

All investments of the Fund were held by Australian Executor Trustees Limited, who has been appointed by the Trustee to act as custodian of the Fund.

The Trustee seeks information from each proposed collective investment manager (and may also seek independent advice from other qualified persons) on the nature of the investments made on its behalf and the associated risks.

These investing activities expose the Fund to various types of risk that are associated with the types of financial instruments and markets utilised. The main types of financial risk to which the Fund is exposed are market risk, credit risk and liquidity risk. The Fund does not invest in any derivative financial instruments.

The Board of Directors of the Trustee has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board, which meets monthly is responsible for developing and monitoring the risk management framework relating to the Fund. This framework is established to identify, analyse and monitor Fund related risks, and assess the adequacy of the procedures and controls put in place to mitigate them. Risk management policies and systems are reviewed regularly to ensure they reflect Fund activities and changes to market conditions.

Notwithstanding the investment related risks to which the Fund is exposed, the Employer has guaranteed the benefits which are payable to members under clauses 3 and 4 of the Trust Deed.

Quarterly reports are provided to the Investment Committee on asset allocation and investment performance.

The nature and extent of the financial instruments held at balance date and the risk management policies employed by the Fund are as follows:

THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

A. Market Risk

Market risk embodies the potential for losses and gains due in the fair value of a financial instrument because of changes in market prices. It is comprised of currency risk, interest rate risk and price risk. The Trustee manages the Fund's exposure to market risks in accordance with the investment strategy.

Currency Risk

The Fund is not exposed to currency risk.

Price Risk

Price Risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices. As all of the Fund's financial instruments are carried at fair value with changes recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect total revenue.

Sensitivity Analysis:

A 10% increase in the value of Fund investments would have increased Total Current Assets and Total Income by \$1,136,255 (2017: \$1,083,928). An equal change in the opposite direction would have decreased the Total Current Assets and Total Income by an equal opposite amount.

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Fund's only exposure to interest rate risk is via the bank account, which had an interest rate of 1.75% at 30 June 2018 (2017: 1.75%).

Sensitivity Analysis:

A 10% increase in the interest rates received on financial instruments would have increased Total Current Assets and Total Income by \$9,173 (2017: \$6,059). An equal change in the opposite direction would have decreased the Total Current Assets and Total Income by an equal opposite amount.

B. Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. At 30 June 2018, the following financial assets were exposed to credit risk: cash and cash equivalents, income receivable and sundry receivables. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets. The credit risk on financial assets of the Fund, which have been recognised on the Statement of Net Assets, is the carrying amount as stated.

C. Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's liquidity is constantly monitored to ensure sufficient cash flow is available to meet requirements. The liquidity risks associated with the need to satisfy members' requests for benefit payments are mitigated by constantly monitoring to ensure sufficient cash is maintained to satisfy usual levels of demand. Investments of the Fund comprise units in unit trusts which are readily convertible to cash when normal market conditions prevail.

Contractual Maturities of Financial Liabilities

All financial liabilities (accrued member benefits, other payables and current tax liabilities) are payable within 12 months. Payments of member benefits are restricted by members having to meet benefit payment requirements (e.g. resignation, retirement).

THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the Statement of Net Assets have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------|---------|-------------------|---------|-------------------|
| | \$ | \$ | \$ | \$ |
| 30 June 2018 | | | | |
| Units in Unit Trusts | - | 11,362,548 | - | 11,362,548 |
| Total | - | 11,362,548 | - | 11,362,548 |
| 30 June 2017 | \$ | \$ | \$ | \$ |
| Units in Unit Trusts | - | 10,839,276 | - | 10,839,276 |
| Total | - | 10,839,276 | - | 10,839,276 |

17. EVENTS SUBSEQUENT TO REPORTING DATE

Following a request from The University of Adelaide, the Trustee has made an "in principle" decision to transfer all of the members and assets of the Fund, on a "successor fund transfer" basis, to a new plan known as SignatureSuper, which is managed by AMP. It is proposed that following the transfer the Fund will be wound up. The current proposed date for the transfer is 1 October 2018.

In the interval between the end of the financial year and the date of this report there has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the Trustee, to affect significantly the operations of the Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

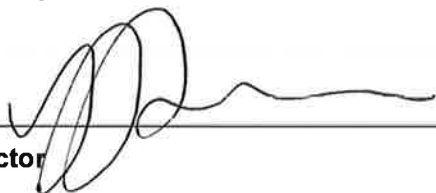
THE UNIVERSITY OF ADELAIDE SUPERANNUATION SCHEME A 1985

TRUSTEE'S DECLARATION FOR THE YEAR ENDED 30 JUNE 2018

The directors of Tidswell Financial Services Ltd being the Trustee of the University of Adelaide Superannuation Scheme A 1985 declare that:

- i. the financial statements and notes, as set out on pages 2 to 19, present fairly the Net Assets of the Superannuation Fund as at 30 June 2018, and the Changes in Net Assets for the year then ended in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- ii. The financial statements and notes to the financial statements have been prepared in accordance with the requirements of the Trust Deed; and
- iii. The operation of the Fund has been carried out in accordance with its Trust Deed and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993 and the Corporations Act 2001 during the year ended 30 June 2018.

This declaration is made in accordance with a resolution of the Board of Directors of the trustee company:



Director

25 September 2018



Independent Auditor's report on financial statements

Report by the RSE Auditor¹ to the trustee of the University of Adelaide Superannuation Scheme A 1985 (ABN: 94 615 635 536)

Opinion

I have audited the financial statements of the University of Adelaide Superannuation Scheme A 1985 for the year ended 30 June 2018 comprising the Income Statement, Statement of changes in Member Benefits, Statement of Financial Position, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of the University of Adelaide Superannuation Scheme A 1985 as at 30 June 2018 and the results of its operations, cash flows, changes in equity and changes in members' benefits for the year ended 30 June 2018.

Basis for Opinion

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

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

Emphasis of matter – Going concern no longer appropriate

I draw attention to the basis of preparation in Note 1 of the financial report which describes that the directors of the Trustee have agreed "in principle" to wind-up the University of Adelaide Superannuation Scheme A 1985 within the next 12 months, however, a final date has not yet been agreed. Consequently the financial statements have been prepared on a liquidation basis and not on a going concern basis. My opinion is not modified in respect of this matter.

Responsibility 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 Standards² and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision)*

¹ RSE Auditor as defined in Section 10 of the SIS Act.

² The Australian Accounting Standards issued by the Australian Accounting Standards Board.



Regulations 1994 (SIS Regulations). The *trustee* is also responsible for such internal control as the *trustee determines* is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

PricewaterhouseCoopers

PricewaterhouseCoopers

David Coogan

David Coogan
Partner

Melbourne
25 September 2018