

SUNSUPER SUPERANNUATION FUND

A.B.N. 98 503 137 921

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

**Sunsuper Superannuation Fund's registered office
and principal place of business is:**

**30 Little Cribb Street
MILTON QLD 4064**

**SUNSUPER SUPERANNUATION FUND
A.B.N. 98 503 137 921**

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

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TRUSTEE'S STATEMENT

In the opinion of the directors of Sunsuper Pty Ltd (A.C.N. 010 720 840), being the Trustee of Sunsuper Superannuation Fund ("the Fund"):

- (i) The attached financial statements are properly drawn up so as to present fairly the net assets of Sunsuper Superannuation Fund and of the Group as at 30 June 2015 and the changes in net assets for the year then ended; and
- (ii) The attached financial statements have been drawn up in accordance with Accounting Standards in Australia.

This statement is made in accordance with a resolution of the directors of the trustee company, Sunsuper Pty Ltd.



Ben Swan
Director



Elizabeth Hallett
Director

Brisbane
24 September 2015

Report by the Independent Approved Auditor to the members of Sunsuper Superannuation Fund A.B.N. 98 503 137 921

Financial statements

I have audited the financial statements of Sunsuper Superannuation Fund for the year ended 30 June 2015 as set out on pages 3 to 57 attached.

Trustee's responsibility for the financial statements

The superannuation entity'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.

Auditor's responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the members of Sunsuper Superannuation Fund.

My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the

financial statements 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 trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

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

Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the net assets of Sunsuper Superannuation Fund as at 30 June 2015 and the changes in net assets for the year ended 30 June 2015.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Sarah Wood

S C Woodhouse
Partner
Chartered Accountants
Sydney, 24 September 2015

SUNSUPER SUPERANNUATION FUND
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STATEMENT OF NET ASSETS
AS AT 30 JUNE 2015

	NOTES	Consolidated		Fund	
		2015 \$ 000	2014 \$ 000	2015 \$ 000	2014 \$ 000
Investments					
Cash and cash equivalents		3,688,688	3,789,926	3,687,988	3,789,226
Fixed interest securities		4,151,273	3,761,368	4,151,273	3,761,368
Australian equities		7,506,302	7,067,675	7,506,302	7,067,675
International equities		8,983,162	7,315,240	8,983,162	7,315,240
Property	9	3,119,506	2,557,452	3,119,506	2,557,452
Alternative assets	2(c)	6,457,368	4,994,054	6,501,662	5,034,525
Total investments		33,906,299	29,485,715	33,949,893	29,525,486
Other assets					
Cash at bank		66,114	62,429	40,854	39,671
Contributions receivable		200,988	197,559	200,988	197,559
Other financial assets	8	125,645	115,272	122,908	113,456
Plant and equipment	10	14,852	15,066	2,677	3,090
Intangible assets	11	2,808	528	-	-
Deferred tax asset	18(c)	37,482	6,961	34,697	3,541
Total other assets		447,889	397,815	402,124	357,317
Total assets		34,354,188	29,883,530	34,352,017	29,882,803
Liabilities					
Benefits payable		247,135	228,262	247,135	228,262
Other payables	12	39,375	29,159	43,724	33,900
Provision for employee benefits	13	9,278	8,309	3,121	2,854
Current tax liabilities	18(b)	249,806	277,064	249,443	277,051
Deferred tax liabilities	18(c)	299,989	168,328	299,989	168,328
Total liabilities		845,583	711,122	843,412	710,395
Net assets available to pay benefits		33,508,605	29,172,408	33,508,605	29,172,408

The above Statement of Net Assets should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated		Fund	
	NOTES	2015 \$ 000	2014 \$ 000	2015 \$ 000	2014 \$ 000
Revenue from ordinary activities					
Net investment revenue					
Interest	14	216,495	206,848	215,862	206,386
Dividends & distributions		865,011	679,405	865,011	679,405
Rental and other investment income		38,028	41,187	38,028	41,187
Changes in net market value of investments	15	1,839,976	2,490,847	1,843,797	2,498,242
Less: Direct investment expenses	16	(96,412)	(70,639)	(96,412)	(70,639)
		2,863,098	3,347,648	2,866,286	3,354,581
Contribution revenue					
Employer contributions		2,675,446	2,516,762	2,675,446	2,516,762
Member contributions		448,414	363,529	448,414	363,529
Transfers from other funds		1,118,358	1,003,250	1,118,358	1,003,250
Transfer from successor fund	23	546	462,299	546	462,299
		4,242,764	4,345,840	4,242,764	4,345,840
Other revenue					
Group life insurance rebate/(reversals)		(2,000)	12,000	(2,000)	12,000
Group life insurance proceeds		253,947	223,517	253,947	223,517
Other income		316	264	99	75
		252,263	235,781	252,046	235,592
Total revenue from ordinary activities		7,358,125	7,929,269	7,361,096	7,936,013
Expenditure from ordinary activities					
Direct member expenses					
Group life insurance premiums		355,072	197,804	355,072	197,804
Other member and sub-plan specific expenses		444	348	624	507
		355,516	198,152	355,696	198,311
Indirect member expenses charged to general reserve					
Fund administration expense		116,443	113,652	125,758	128,293
Depreciation expense		4,709	4,427	529	647
Amortisation expense		640	2,443	-	-
Anti-detriment payments	2(o)	5,361	3,949	5,361	3,949
		127,153	124,471	131,648	132,889
Benefits paid and payable		2,193,652	1,824,845	2,193,652	1,824,845
Total expenditure from ordinary activities		2,676,321	2,147,468	2,680,996	2,156,045
Total revenue less expenditure before income tax		4,681,804	5,781,801	4,680,100	5,779,968
Income tax expense	18(a)	345,607	535,537	343,903	533,704
Total revenue less expenditure after income tax		4,336,197	5,246,264	4,336,197	5,246,264
Net assets available to pay benefits at the beginning of the year		29,172,408	23,926,144	29,172,408	23,926,144
Net assets available to pay benefits at the end of the year		33,508,605	29,172,408	33,508,605	29,172,408

The above Statement of Changes in Net Assets should be read in conjunction with the accompanying notes.

**SUNSUPER SUPERANNUATION FUND
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. BASIS OF PREPARATION

Statement of compliance

The financial statements are general purpose financial statements of Sunsuper Superannuation Fund ('the Fund') and of the consolidated entity, comprising Sunsuper Superannuation Fund and its controlled entities ('the Group') (refer Note 20) which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, including AAS 25 *Financial Reporting by Superannuation Funds* ('AAS 25') as amended by AASB 2005-13 (December 2005), Accounting Interpretations, the Superannuation Industry (Supervision) Act 1993 and provisions of the Trust Deed dated 1 October 1987 and amendments thereto. To the extent that they do not conflict with AAS25, other Australian Accounting Standards have been applied in the preparation of the financial statements. AAS 25 provides specific measurement requirements for assets, liabilities and accrued benefits.

For the purposes of preparing the financial statements, the Fund is a profit for members entity.

The financial statements were authorised for issue by the Directors on 24 September 2015.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in note 2(b), valuation of investments, note 2(k), income tax, and note 2(g), benefit payable.

Application of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
AASB 2014-1	Amendments to Australian Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PREPARATION (Cont.)

Application of new and revised Accounting Standards (Cont.)

AASB 1031	Materiality
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality)
AASB 2014-1	Amendments to Australian Accounting Standards (Part C: Materiality)

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations which were in issue but not yet effective, and are relevant to the Group, are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB15'	1 January 2017	30 June 2018
AASB 2014-4 'Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB1031 Materiality'	1 January 2015	30 June 2016
AASB 1056 'Superannuation Entities'	1 January 2016	30 June 2017

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1. BASIS OF PREPARATION (Cont.)

Standards and Interpretations in issue not yet adopted (Cont.)

AASB 1056 will have a number of impacts on the financial statements of the Fund. The key disclosure changes will include:

- Preparation of five statements under the new standard:
 - a. Statement of Financial Position;
 - b. Income statement;
 - c. Statement of Changes in Equity/Reserves;
 - d. Statement of Cash Flows; and
 - e. Statement of Changes in Member Benefits.
- Recognition of member benefits as a liability on the face of the Statement of Financial Position
- The Statement of Financial Position to disclose the surplus or deficit of funds
- Net assets of the Fund to reflect the Fund's reserves, including the Operational Risk Financial Reserve
- Additional disclosures are required, including the main features of the specific contractual or statutory arrangements in place between the superannuation entity and the defined benefit employer sponsors
- Increased disclosure in relation to insurance arrangements.

There will be changes to the measurement of certain balances however adopting the new reporting standard will have no material impact on the reported results or financial position of the Fund.

The initial application of the other Standards and Interpretations issued but not yet effective is not expected to have a material impact on the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented in these financial statements for the year ended 30 June 2014.

(a) Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with a bank or other financial institution and highly liquid investments with short periods to maturity which are readily convertible to cash and which are subject to insignificant risk of changes in value. It also includes the value of applicable derivative financial instruments referred to Note 2(d).

(b) Valuation of investments

Investments are included in the Statement of Net Assets at net market value as at the reporting date and changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur.

Net market values have been determined as follows:

- (i) listed securities, foreign securities quoted on a recognised stock exchange and government and other fixed interest securities are stated at the most recent market quotations available as at the reporting date in the relevant market;

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(b) Valuation of investments (Cont.)

- (ii) unit trusts, pooled superannuation trusts and managed fund investments are stated at the redemption price quoted by the fund managers as at the reporting date;
- (iii) unlisted securities, including hedge funds and the underlying investments within vehicles that invest in private capital, infrastructure and property, are valued as at the reporting date based on multiples of earnings, discounted cash flow, market equivalents and other market accepted methodologies from:
 - independent external valuers;
 - the Fund's investment managers using valuation models that typically follow industry guidelines or standards set by the constituent documents of the investment;
 - recent third party arm's length transactions of similar securities; or
 - cost (less any diminution in value) in cases where investments have been held for a short time and the Trustee is satisfied that significant diminution in value has not occurred
- (iv) insurance policies are based on actuarial assessments of the amount receivable from the insurer as at the reporting date in respect of the policies;
- (v) term deposits and other unmarketable loans are stated at the principal plus accrued interest as at the reporting date; and
- (vi) direct property investments are included in the financial statements on the basis of independent valuations carried out on at least an annual basis. The valuation of direct property investments are based on discounted cash flow, capitalisation and direct comparison methodologies.

Estimated costs of realisation have been deducted in determining net market value. Net market value is considered a reasonable approximation of net fair value.

Investment income receivable is reported as part of the underlying investment asset class to which the income relates.

(c) Alternative assets

Alternative assets include investments in private capital, hedge funds, infrastructure and opportunistic property and are valued in accordance with Note 2(b)(iii).

(d) Derivative financial instruments

The Fund may, through appointed investment managers, enter into a variety of derivative financial instruments to manage its exposure to equity market, interest rate and foreign exchange rate risk, including options, futures, forward foreign exchange contracts, interest rate swaps and cross currency swaps. The net market value impact of each instrument is included within the related investment classification throughout the financial statements. Further details of derivative financial instruments are disclosed in Note 19 to the financial statements.

(e) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in the Statement of Changes in Net Assets in the period in which they arise except exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(g) Benefits payable

Benefits payable include estimates of member benefits (inclusive of group life insurance proceeds) expected to be paid in respect of valid requests that were submitted to the Fund prior to year end but where the benefit had not been paid by that date.

(h) Operating leases

The Trustee, on behalf of the Fund, has entered into operating leases under which the lessor effectively retains most of the risks and benefits associated with ownership of the leased asset. Operating lease payments are charged to the Statement of Changes in Net Assets in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets. Incentives received from entering into operating leases are recognised as liabilities. The aggregated benefits of incentives are recognised as a reduction of rental expense when the operating lease payment is incurred, as this represents the pattern of benefits derived from the leased asset.

(i) Receivables

Receivables are recognised at the amounts expected to be recovered, which approximate fair value.

(j) Plant and equipment

Plant and equipment is recorded at cost less accumulated depreciation and impairment. The Trustee has determined that the carrying amounts approximate net market value.

(k) Income tax

The Fund is a complying superannuation fund within the provisions of the Income Tax Assessment Act 1997 as amended. Accordingly, the concessional tax rate of 15% has been applied.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the Statement of Net Assets. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(k) Income tax (Cont.)

Deferred tax (Cont.)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or benefit in the Statement of Changes in Net Assets.

(l) Intangible assets

Intangible assets acquired separately

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (Note2(r)).

Internally-generated intangible assets

An internally-generated intangible asset arising from development of an internal project is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Internally-generated intangible assets are reported as cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(l) Intangible assets (Cont.)

Amortisation of intangible assets

Amortisation of intangible assets is charged to the Statement of Change in Net Assets on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- Computer software 1 - 4 years
- Internally-generated intangible assets 3 - 4 years

(m) Other payables

Other payables represent liabilities for goods and services provided to the Fund prior to the end of the financial year and which are unpaid. Amounts are unsecured. Other creditors are subject to normal trade credit terms.

(n) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable which is equivalent to net market value. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Fund and the amount of revenue can be reliably measured. The following recognition criteria relates to the different items of revenue the Fund receives:

Investment revenue

Dividend revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at the reporting date, the balance is reflected in the Statement of Net Assets as part of the underlying investment category.

Interest revenue

Revenue on money market and fixed interest securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of financial asset to that asset's net carrying amount. If interest is not received at balance date, it is reflected in the Statement of Net Assets as part of the underlying investment category.

Changes in net market value of investments

Changes in the net market value of investments are recognised as revenue and are determined as the difference between the net market value at year end or consideration received (if sold during the year) and the net market value as at the prior year end or cost (if the investment was acquired during the period).

Rent

Rent from property is recognised in accordance with the rental agreement on an accruals basis.

Distributions from unit trusts

Distributions from unit trusts are recognised as investment income on the date the unit value is quoted ex-distribution. If distributions from unit trusts are not received at the reporting date, the amount is reflected in the Statement of Net Assets as part of the underlying investment category.

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NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(n) Revenue recognition (Cont.)

Contribution revenue

Employer contributions

Employer contributions are brought to account when control of the asset has been attained and include contributions received up to and including the quarterly superannuation guarantee deadline (28 July each year) which relate to the period to the reporting date.

Member contributions

Member contributions, which include co-contributions received from the Australian Government, are brought to account on a cash basis as this is the only point at which measurement is reliable.

Transfers from other Funds

Transfers from other funds are brought to account on a cash basis as this is the only point at which measurement is reliable.

Other revenue

Group life insurance rebate

The group life insurance rebate is recognised on an accruals basis when the rebate amount is made available for the benefit of the Fund.

Group life insurance proceeds

Group life insurance proceeds are recognised on an accruals basis whereby an estimate of outstanding insurance claims as at reporting date is brought to account. Group life insurance proceeds received and receivable by the Fund are included when paid or accrued to members as part of benefits paid and payable.

(o) Anti-detriment payments

Anti-detriment payments are paid to ensure that the level of death benefits received by financial dependants from a complying superannuation fund is not reduced as a result of the tax on taxable contributions. These amounts are fully recovered from the Australian Tax Office. Anti-detriment payments are brought to account on a cash basis. The recovery from the Australian Tax Office is brought to account as a reduction to the current taxation liabilities of the Fund.

(p) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled wholly within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled wholly within 12 months are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(q) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Fund (the parent entity) and its controlled entities that are not exempted from consolidation as defined in Accounting Standard AASB 10 'Consolidated Financial Statements' and amended in AASB 2013-5 'Amendments to Australian Accounting Standards - Investment Entities'. The Fund has assessed that it meets the definition of investment entity as it invests money on behalf of its members for the purpose of obtaining an investment return and it measures investments on a fair value basis. As a result, certain entities are not consolidated. A list of all controlled entities appears in Note 20 to the financial statements.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Fund obtains control and until such time as the Fund ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(r) Impairment of assets

The carrying amounts of the Group's assets, other than deferred tax assets (Note 2(k)), are reviewed at each balance date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated (see below).

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(s) Rounding

Due to the size of the Fund's assets, the financial statements and notes to the financial statements have been rounded to the nearest \$1,000, except where otherwise indicated.

(t) Comparative amounts

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items in the notes to the financial statements have been amended. Comparative figures have been adjusted to conform to the current year's presentation.

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NOTES TO THE FINANCIAL STATEMENTS
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3. NATURE OF THE FUND

The Fund was established under a Trust Deed dated 1 October 1987. It is a regulated superannuation fund registered by the Australian Prudential Regulation Authority (APRA) as a registrable superannuation entity (RSE). The RSE registration number is R1000337.

The Fund has both accumulation and defined benefit members and is defined, under AAS 25 *Financial Reporting by Superannuation Plans*, as a defined benefit plan. The financial statements of the Fund are therefore prepared in accordance with the defined benefit plan reporting format as illustrated in AAS 25 (Financial report for a Defined Benefit Superannuation Plan which elects to prepare a Statement of Net Assets and a Statement of Changes in Net Assets).

The purpose of the Fund is to provide superannuation and insurance benefits for members and their dependants. The fund operates on profit for member's basis with all profits reinvested to provide improved outcomes for members.

Sunsuper Pty Ltd (ACN 010 720 840) is the Trustee of the Fund and is responsible for managing the Fund, ensuring that it operates the Fund in the best interests of all members and complies with all relevant legal and regulatory requirements.

The Fund is administered by Precision Administration Services Pty Ltd, a 100% owned entity of the Fund.

The custodially held investment assets of the Fund are held by State Street Australia Limited.

The principal place of business of the Fund is 30 Little Cribb Street, Milton, Qld.

	2015	2014
Number of members of the Fund at 30 June	1,134,473	1,145,976

The Fund recognises a member with a zero balance as a member of the Fund.

4. VESTED BENEFITS

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

	Fund	
	2015	2014
	\$ 000	\$ 000
Vested benefits - accumulation members	33,119,462	28,799,355
Vested benefits - defined benefit members	88,225	91,805
Total vested benefits	33,207,687	28,891,160
Net assets available to meet vested benefits of:		
Accumulation members	33,409,966	29,072,010
Defined benefit members	98,639	100,398
Total net assets available to meet vested benefits	33,508,605	29,172,408

5. LIABILITY FOR ACCRUED BENEFITS

The liability for accrued benefits is the Fund's present obligation to pay benefits to members and beneficiaries. For accumulation members, it is calculated as the difference between the carrying amounts of assets and liabilities (excluding defined benefit assets and liabilities) as at the reporting date.

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5. LIABILITY FOR ACCRUED BENEFITS (Cont.)

The liability for accrued benefits for defined benefit members is actuarially measured as part of an actuarial investigation. The liability is determined as the present value of expected future payments which arise from membership of the Fund up to the date of measurement. The present value is determined by reference to expected future salary levels and by application of a current market based risk adjusted discount rate and appropriate actuarial assumptions.

Within the Fund, there is more than one defined benefit sub-plan. The reports on the latest actuarial investigations of each sub-plan of the Fund contain details of the accrued benefit liability at that date. The reports also give details of the basis used to calculate the accrued benefit liability. For sub-plans with the same actuarial investigation date, the accrued benefit liability has been aggregated. Comparative actuarial data is not included for sub-plans where the previous actuarial dates preceded the date when the defined benefit plans transferred to the Fund.

	2015 \$ 000	2014 \$ 000
Accrued benefits for accumulation members: ⁽¹⁾		
As at 30 June	33,409,966	29,072,010

	Latest actuarial review \$	Previous actuarial review \$
Accrued benefits for defined benefit members:		
Actuarial valuation date - 30 June 2012 ⁽²⁾	32,885,000	40,409,681
Actuarial valuation date - 30 June 2013	40,523,000	40,941,449
Actuarial valuation date - 30 June 2014	36,988,431	50,322,995
Range of long term discount rates used in the measurement of accrued benefits	3% - 7%	5% - 7.5%

⁽¹⁾ Accrued benefits for accumulation members includes the Fund reserves referred to in note 22.

⁽²⁾ Three defined benefit sub-plans of the Fund were found to be in an unsatisfactory financial position at the most recent actuarial valuation for each sub-plan. The range of ratios of total assets to total vested benefits at the most recent actuarial valuation was between 98% and 99.9%. All of these sub-plans have returned to a satisfactory financial position and as at 30 June 2015 they were in a satisfactory position. In accordance with the actuary's recommendation, the employers are paying at the recommended contribution rates which includes making additional lump sum contributions. The ratios of total assets to total vested benefits will continue to be monitored until the next investigations take place.

6. GUARANTEED BENEFITS

No guarantees have been made by the Trustee, on behalf of the Fund, in respect of any part of the liability for accrued benefits (2014: nil).

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NOTES TO THE FINANCIAL STATEMENTS
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7. FUNDING ARRANGEMENTS

Contributions to the Fund are determined by the type of membership. For accumulation members, employers are expected to contribute at a minimum rate as determined by Industrial Awards or Superannuation Guarantee Legislation. The Superannuation Guarantee rate for the year ending 30 June 2015 was 9.50% (2014: 9.25%). Member contributions for accumulation members are voluntary.

The defined benefits are funded by contributions in accordance with the recommendations contained in the actuarial reports.

8. OTHER FINANCIAL ASSETS

	Consolidated		Fund	
	2015	2014	2015	2014
	\$ 000	\$ 000	\$ 000	\$ 000
Group life insurance proceeds receivable	119,471	108,301	119,471	108,301
Interest receivable	169	156	168	154
GST recoverable	704	670	1,077	1,176
Prepayments	5,061	3,573	1,818	1,092
Sundry debtors	240	572	374	733
Group life rebate receivable	-	2,000	-	2,000
	125,645	115,272	122,908	113,456

There are no significant terms or conditions applicable to the above receivables. All amounts are expected to be recoverable in whole within the next 12 months.

9. PROPERTY

Directly held investment property	375,455	487,582	375,455	487,582
Indirectly held investment property	2,744,051	2,069,870	2,744,051	2,069,870
	3,119,506	2,557,452	3,119,506	2,557,452

The reconciliation of the carrying amount of directly held investment property at the beginning and end of the periods is set out below:

Balance at beginning of financial year	487,582	478,478	487,582	478,478
Additions from subsequent expenditure	7,026	7,422	7,026	7,422
Changes in net market value	11,192	1,682	11,192	1,682
Disposals	(130,345)	-	(130,345)	-
Balance at end of financial year	375,455	487,582	375,455	487,582

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10. PLANT AND EQUIPMENT

	Consolidated		Fund	
	2015	2014	2015	2014
	\$ 000	\$ 000	\$ 000	\$ 000
Furniture and fittings	1,683	1,937	545	686
IT equipment and software	8,649	7,951	11	22
Motor vehicles	273	334	273	334
Leasehold Improvements	4,247	4,844	1,848	2,048
Total plant and equipment	14,852	15,066	2,677	3,090

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below:

	Consolidated				
	Motor vehicles	Furniture and fittings	Leasehold improvement	IT equipment and software	Total
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Carrying amounts at 1 July 2013	361	2,237	5,344	6,979	14,921
Additions	68	172	272	4,118	4,630
Disposals	(38)	(3)	-	(17)	(58)
Change in market value	(57)	(469)	(772)	(3,129)	(4,427)
Carrying amounts at 30 June 2014	334	1,937	4,844	7,951	15,066
Additions	32	254	161	4,138	4,585
Disposals	(36)	(37)	(2)	(15)	(90)
Change in market value	(57)	(471)	(756)	(3,425)	(4,709)
Carrying amounts at 30 June 2015	273	1,683	4,247	8,649	14,852

	Fund				
	Motor vehicles	Furniture and fittings	Leasehold improvement	IT equipment and software	Total
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Carrying amounts at 1 July 2013	361	810	2,409	115	3,695
Additions	68	13	-	-	81
Disposals	(38)	(1)	-	-	(39)
Change in market value	(57)	(136)	(361)	(93)	(647)
Carrying amounts at 30 June 2014	334	686	2,048	22	3,090
Additions	32	18	139	1	190
Disposals	(36)	(36)	(2)	-	(74)
Change in market value	(57)	(123)	(337)	(12)	(529)
Carrying amounts at 30 June 2015	273	545	1,848	11	2,677

The Trustee believes that the carrying amount of plant and equipment at 30 June 2015 is not materially different to net market value.

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11. INTANGIBLES

	Consolidated		Fund	
	2015	2014	2015	2014
	\$ 000	\$ 000	\$ 000	\$ 000
Software development costs	17,420	14,500	4,154	4,154
Less: Accumulated amortisation	(14,612)	(13,972)	(4,154)	(4,154)
	2,808	528	-	-

The reconciliation of the carrying amount of software development costs at the beginning and end of the periods is set out below:

Carrying amounts at 1 July	528	2,795	-	-
Additions	2,920	176	-	-
Disposals	-	-	-	-
Amortisation charge	(640)	(2,443)	-	-
Carrying amount at 30 June	2,808	528	-	-

12. OTHER PAYABLES

Group life insurance premiums payable	27,365	15,655	27,365	15,655
Audit fees payable	111	117	64	72
Sundry creditors	11,899	13,387	16,295	18,173
	39,375	29,159	43,724	33,900

13. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits and related on-cost liabilities

Current

Employee benefits provisions	6,248	5,634	2,104	1,951
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Non-current

Employee benefits provisions	3,030	2,675	1,017	903
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	9,278	8,309	3,121	2,854
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14. INTEREST

Bank deposits	10,545	11,510	9,896	11,030
ATO refund interest	198	51	198	51
Investments	205,752	195,287	205,768	195,305
	216,495	206,848	215,862	206,386

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15. CHANGES IN NET MARKET VALUE OF INVESTMENTS

	Consolidated		Fund	
	2015 \$ 000	2014 \$ 000	2015 \$ 000	2014 \$ 000
Investments held at reporting date				
Cash and cash equivalents	(661,634)	625,977	(661,634)	625,977
Fixed interest securities	261,831	146,365	261,831	146,365
Australian equities	(103,288)	576,601	(103,288)	576,601
International equities	826,535	897,345	826,535	897,345
Property	321,542	51,157	321,542	51,157
Alternative assets	1,180,631	182,771	1,184,452	190,166
	1,825,617	2,480,216	1,829,438	2,487,611
Investments realised during the reporting period				
Cash and cash equivalents	(423,058)	(409,717)	(423,058)	(409,717)
Fixed interest securities	(164,179)	(819)	(164,179)	(819)
Australian equities	77,899	214,536	77,899	214,536
International equities	488,946	191,931	488,946	191,931
Property	10,652	13,521	10,652	13,521
Alternative assets	24,099	1,179	24,099	1,179
	14,359	10,631	14,359	10,631
Total changes in net market values	1,839,976	2,490,847	1,843,797	2,498,242

16. DIRECT INVESTMENT EXPENSES

Management fees	71,562	50,776	71,562	50,776
Custodian fees	4,095	3,984	4,095	3,984
Consultancy fees	1,628	2,054	1,628	2,054
Other direct investment expenses	19,127	13,825	19,127	13,825
	96,412	70,639	96,412	70,639

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17. REMUNERATION OF AUDITORS

	Consolidated		Fund	
	2015	2014	2015	2014
	\$	\$	\$	\$
Deloitte Touche Tohmatsu				
Audit of the financial statements	358,191	347,099	280,157	269,569
Regulatory audits	65,416	66,878	56,421	57,825
Other audit services	66,525	76,060	8,200	21,095
Other non-audit services - tax services	29,765	56,236	29,765	56,236
Other non-audit services - advisory services	82,930	-	82,930	-
	602,827	546,273	457,473	404,725
Ernst & Young				
Internal audit services	295,694	290,865	152,693	290,865
Other audit services	157,027	9,803	157,027	9,803
Other non-audit services - advisory services	279,000	-	-	-
	731,721	300,668	309,720	300,668
	1,334,548	846,941	767,193	705,393

**SUNSUPER SUPERANNUATION FUND
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18. INCOME TAX

(a) Income tax recognised in profit and loss

	Consolidated		Fund	
	2015	2014	2015	2014
	\$ 000	\$ 000	\$ 000	\$ 000
Tax expense comprises:				
Current tax expense	251,186	280,172	249,594	277,049
Adjustments recognised in the current year in relation to the current tax of prior years	(6,402)	(3,217)	(6,412)	(3,213)
Deferred tax expense relating to the origination and reversal of temporary differences	100,821	258,582	100,721	259,868
Total tax expense	345,605	535,537	343,903	533,704

The prima facie income tax expense on pre-tax changes in net assets reconciles to the income tax expense in the financial statements as follows:

Increase/(decrease) in net assets for the year before income tax	4,681,804	5,781,801	4,680,100	5,779,968
Income tax expense calculated at 15% (2014: 15%)	702,271	867,270	702,015	866,995
Non-taxable group life proceeds	(38,092)	(33,528)	(38,092)	(33,528)
Non-taxable member contributions and transfers in	(227,261)	(269,641)	(227,261)	(269,641)
Tax withheld/(refunded) on member contributions where no TFN provided (additional 31.5%)	(986)	(5,663)	(986)	(5,663)
Non-deductible benefits paid/payable	329,048	273,727	329,048	273,727
Non-deductible other member & sub-plan expenses	2	48	2	14
Anti-detriment tax paid	(4,557)	(3,356)	(4,557)	(3,356)
Non-assessable investment income	(247,419)	(146,517)	(248,821)	(149,010)
Imputation credits and other rebates	(155,654)	(137,307)	(155,654)	(137,307)
Effect of previously unrecognised and unused tax losses and tax offsets now recognised	-	(966)	-	-
Net exempt pension income	(4,913)	(5,281)	(4,913)	(5,281)
Other	(432)	(32)	(466)	(33)
Adjustments in the current year in relation to the current tax of prior years	(6,402)	(3,217)	(6,412)	(3,213)
	345,605	535,537	343,903	533,704

The tax rate used in the above reconciliation is the superannuation tax rate of 15% payable by Australian superannuation funds on taxable profits under Australian tax law. There has been no change in the superannuation tax rate when compared with the previous reporting period.

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18. INCOME TAX (Cont.)

(b) Current tax liabilities

	Consolidated		Fund	
	2015 \$ 000	2014 \$ 000	2015 \$ 000	2014 \$ 000
Current tax liabilities:				
Income tax payable	249,806	277,064	249,443	277,051
	249,806	277,064	249,443	277,051

(c) Deferred tax balances

Deferred tax liabilities:

Contributions receivable	30,030	29,557	30,030	29,557
Net unrealised revenue gains	-	30,261	-	30,261
Net unrealised capital gains	269,934	108,187	269,934	108,187
Interest and other income receivable	25	323	25	323
	299,989	168,328	299,989	168,328

Deferred tax asset:

Provision for employee benefits	2,877	2,578	468	428
Net unrealised revenue losses	28,496	833	28,496	-
Other payables	6,109	3,550	5,733	3,113
	37,482	6,961	34,697	3,541

Taxable and deductible temporary differences arise from the following:

	Consolidated				Fund			
	2015 \$ 000	2015 \$ 000	2015 \$ 000	2015 \$ 000	2015 \$ 000	2015 \$ 000	2015 \$ 000	2015 \$ 000
	Opening Balance	Transfer from Successor Fund ⁽¹⁾	Charged to Income	Closing Balance	Opening Balance	Transfer from Successor Fund ⁽¹⁾	Charged to Income	Closing Balance
Gross deferred tax liabilities:								
Contributions receivable	29,557	-	473	30,030	29,557	-	473	30,030
Net unrealised revenue gains	30,261	-	(30,261)	-	30,261	-	(30,261)	-
Net unrealised capital gains	108,187	(214)	161,961	269,934	108,187	(214)	161,961	269,934
Interest and other income receivable	323	-	(298)	25	323	-	(298)	25
	168,328	(214)	131,875	299,989	168,328	(214)	131,875	299,989
Gross deferred tax assets:								
Provision for employee benefits	2,578	-	299	2,877	428	-	40	468
Net unrealised capital losses	-	-	-	-	-	-	-	-
Net unrealised revenue losses	833	-	27,663	28,496	-	-	28,496	28,496
Other payables	3,550	-	2,559	6,109	3,113	-	2,620	5,733
	6,961	-	30,521	37,482	3,541	-	31,156	34,697
Net deferred tax (assets)/liabilities	161,367	(214)	101,354	262,507	164,787	(214)	100,719	265,292

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18. INCOME TAX (Cont.)

(c) Deferred tax balances (Cont.)

	Consolidated				Fund			
	2014 \$ 000	2014 \$ 000	2014 \$ 000	2014 \$ 000	2014 \$ 000	2014 \$ 000	2014 \$ 000	2014 \$ 000
	Opening Balance	Transfer from Successor Fund ⁽¹⁾	Charged to Income	Closing Balance	Opening Balance	Transfer from Successor Fund ⁽¹⁾	Charged to Income	Closing Balance
Gross deferred tax liabilities:								
Contributions receivable	25,806	-	3,751	29,557	25,806	-	3,751	29,557
Net unrealised revenue gains	-	-	30,261	30,261	-	-	30,261	30,261
Net unrealised capital gains	37,285	(98,787)	169,689	108,187	37,285	(98,787)	169,689	108,187
Interest and other income receivable	23	-	300	323	23	-	300	323
	<u>63,114</u>	<u>(98,787)</u>	<u>204,001</u>	<u>168,328</u>	<u>63,114</u>	<u>(98,787)</u>	<u>204,001</u>	<u>168,328</u>
Gross deferred tax assets:								
Provision for employee benefits	2,306	-	272	2,578	377	-	51	428
Investment income receivable	-	-	-	-	-	-	-	-
Net unrealised capital losses	-	-	-	-	-	-	-	-
Net unrealised revenue losses	59,078	-	(58,245)	833	56,109	-	(56,109)	-
Other payables	3,257	-	293	3,550	2,922	-	191	3,113
	<u>64,641</u>	<u>-</u>	<u>(57,680)</u>	<u>6,961</u>	<u>59,408</u>	<u>-</u>	<u>(55,867)</u>	<u>3,541</u>
Net deferred tax (assets)/liabilities	(1,527)	(98,787)	261,681	161,367	3,706	(98,787)	259,868	164,787

⁽¹⁾ Refer note 23

19. FINANCIAL INSTRUMENTS

(a) Financial instruments management

The investments of the Group, other than cash held for meeting administrative and benefit expenses and certain other cash held on term deposit with Australian banks, are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets allocated for management in accordance with the terms of a written investment management agreement or relevant offer document. The Trustee has determined that the appointment of these managers is appropriate for the Group and is in accordance with the Trustee's investment strategy.

State Street Australia Limited acts as master custodian on behalf of the Trustee and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

(b) Significant accounting policies

In respect of each class of financial asset and financial liability, details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, are disclosed in note 2 to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
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19. FINANCIAL INSTRUMENTS (Cont.)

(c) Capital risk management

The RSE license of the Trustee of the Fund requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect its business operations. The operational risk financial requirement (ORFR) is the target amount of financial resources that the Trustee determines is necessary to respond to these losses. The ORFR target amount and current balance are disclosed in note 22 to the financial statements.

(d) Categories of financial instruments

The assets and liabilities of the Group are recognised at net market value as at the reporting date. Net market value approximates fair value less an allowance for estimated costs of realisation of investments. The cost of realisation of investments is minimal and therefore net market values that are reported also approximate fair value. Changes in net market value are recognised through the Statement of Changes in Net Assets.

(e) Financial risk management objectives

The Group is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, market risk (including interest rate risk, currency risk, and price risk) and liquidity risk. The Group's risk management and investment policies, approved by the Trustee, seek to manage the potential adverse effects of these risks on the Group's financial performance. These policies may include the use of certain financial derivative instruments.

It is the responsibility of the Trustee to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the Trustee has the function of overseeing the establishment and maintenance of risk-based systems and controls for the Group. The Trustee has developed, implemented and maintains a Risk Management Framework (RMF) that is used in the daily operations of the Group.

The RMF identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems seek to address the material risks, financial and non-financial, likely to be faced by the Group. Annually, the Trustee certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to provide reasonable assurance that the Group complies with legislative and prudential requirements and that the Trustee has satisfied itself as to the compliance with the RMF.

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

There are two main sources of credit risk in Sunsuper's investments:

- The risk that a borrower will default on payments due under certain financial instruments that the Group holds as an asset; and
- The risk that a counterparty to a financial derivative contract will not meet payments that are due.

Credit risk associated with contributions receivable is not a source of credit risk for the Trustee. The Fund is a public offer fund and has a large number of contributing employers. From the perspective of the Trustee, liabilities only arise after contributions are actually received from the employers. Credit risk associated with other receivables is regarded as minimal.

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19. FINANCIAL INSTRUMENTS (Cont.)

(f) Credit risk (Cont.)

The Trustee has adopted the policy of spreading the aggregate value of transactions concluded amongst approved counterparties with appropriate credit qualities, as a means of mitigating the risk of financial loss.

In particular, the Trustee has appointed investment managers who are required to explicitly consider the credit quality of the underlying investments and are also required to restrict exposure to individual borrowers and counterparties. Compliance with these requirements is continuously monitored through the managers' internal compliance functions and is also independently monitored by the custodian appointed by the Trustee. In addition, the Trustee has entered into netting arrangements to restrict the maximum potential loss that can result from a failure by counterparties to derivative contracts. The Trustee receives regular reporting on breaches and where appropriate will seek compensation in respect to any breach that results in a material loss.

The principal asset classes in which material credit risk can arise are in the cash, fixed interest and alternative asset portfolios. It is the opinion of the Trustee that the carrying amounts of the financial assets best represent the maximum credit risk exposure at the reporting date. The majority of borrowers in respect to bonds and loans have been assessed at the time of investment as "investment grade" by a recognised ratings agency.

The Group does not have any significant credit risk exposure to any single counterparty or to any group of counterparties having similar characteristics, with the exception of the Australian banking sector. Concentration of credit risk related to the Australian banking sector at 30 June 2015 was 7.8% (2014: 10.7%) of total investments.

(g) Market risk

Market risk is the risk that the fair value of a financial asset will fluctuate because of general market changes, fundamental changes that affect specific assets, or changes in sentiment. Market risk is manifested in three main types of risk: market interest rates (interest rate risk), foreign exchange (currency risk), and market prices (price risk). The Group's policies and procedures put in place to mitigate exposure to market risk are detailed in the Trustee's investment policies and the RMF. There has been no significant change to the nature of the Group's exposure to market risks or the manner in which it manages and measures the risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's investments in bonds, fixed interest securities, debt securities and cash are subject to interest rate risk

The Group's activities expose it to the financial risk of changes in interest rates. In relation to the financial assets of the Group, floating rate instruments expose the Group to cash flow risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. The Group has no direct exposure to interest rate risk for any financial liabilities but does note that changes in interest rates may affect the fair value of the Group's financial assets which in turn affect the value of members' accounts.

The following tables have been drawn up based on the expected maturities of the financial assets including interest that will be earned on those assets except where the Trustee anticipates that the cash flow will occur in a different period. The interest rate risk disclosures have been prepared on the basis of the Group's direct investments and not on a look-through basis for investments held indirectly through unit trusts or other investment vehicles.

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19. FINANCIAL INSTRUMENTS (Cont.)

Interest Rate Risk (Cont.)

Consolidated	Floating interest rate	Fixed Interest rate				Non-interest bearing	Total
		3 months or less	3-12 months	1-5 years	Over 5 years		
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
30 June 2015							
Financial assets							
Cash and deposits	1,575,218	865,145	1,146,614	-	-	-	3,586,977
Convertible notes	-	-	4,446	63,900	31,567	-	99,913
Fixed interest bonds	-	78,965	87,122	777,186	1,316,413	-	2,259,686
Floating rate notes	213,887	-	-	-	-	-	213,887
Mortgage backed securities	542,859	-	2,315	29,641	116,779	-	691,594
Asset backed securities	28,846	-	-	11,053	3,850	-	43,749
Loans	87,912	-	2,616	6,200	23,836	-	120,564
Discount securities	-	1,246,228	-	-	-	-	1,246,228
Derivatives	-	-	-	-	-	(365,503)	(365,503)
Listed and unlisted investments	-	-	-	-	-	25,459,294	25,459,294
Directly held real estate	-	-	-	-	-	375,455	375,455
Life insurance policies	253,294	-	-	-	-	-	253,294
Outstanding settlements	-	-	-	-	-	38,128	38,128
Receivables	-	-	-	-	-	474,048	474,048
	2,702,016	2,190,338	1,243,113	887,980	1,492,445	25,981,422	34,497,314
Financial liabilities							
Payables	-	-	-	-	-	488,288	488,288
	-	-	-	-	-	488,288	488,288
Net financial assets	2,702,016	2,190,338	1,243,113	887,980	1,492,445	25,493,134	34,009,026
30 June 2014							
Financial assets							
Cash and deposits	1,934,397	231,249	1,030,546	125,581	-	-	3,321,773
Convertible notes	757	3,248	7,490	50,935	38,831	-	101,261
Fixed interest bonds	-	32,787	54,113	630,691	915,276	-	1,632,867
Floating rate notes	216,886	-	-	-	-	-	216,886
Mortgage backed securities	565,188	-	-	23,295	169,563	-	758,046
Asset backed securities	44,333	-	-	2,974	8,032	-	55,339
Loans	62,743	-	-	6,227	11,584	-	80,554
Discount securities	-	1,023,745	-	-	-	-	1,023,745
Derivatives	-	-	-	-	-	225,601	225,601
Listed and unlisted investments	-	-	-	-	-	21,278,674	21,278,674
Directly held real estate	-	-	-	-	-	487,582	487,582
Life insurance policies	270,585	-	-	-	-	-	270,585
Receivables	-	-	-	-	-	564,705	564,705
	3,094,889	1,291,029	1,092,149	839,703	1,143,286	22,556,562	30,017,618
Financial liabilities							
Payables	-	-	-	-	-	419,698	419,698
	-	-	-	-	-	419,698	419,698
Net financial assets	3,094,889	1,291,029	1,092,149	839,703	1,143,286	22,136,864	29,597,920

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19. FINANCIAL INSTRUMENTS (Cont.)

Interest Rate Risk (Cont.)

Fund	Floating interest rate \$ 000	3 months or less \$ 000	Fixed Interest rate			Non-interest bearing \$ 000	Total \$ 000
			3-12 months \$ 000	1-5 years \$ 000	Over 5 years \$ 000		
30 June 2015							
Financial assets							
Cash and deposits	1,549,258	865,145	1,146,614	-	-	-	3,561,017
Convertible notes	-	-	4,446	63,900	31,567	-	99,913
Fixed interest bonds	-	78,965	87,122	777,186	1,316,413	-	2,259,686
Floating rate notes	213,887	-	-	-	-	-	213,887
Mortgage backed securities	542,859	-	2,315	29,641	116,779	-	691,594
Asset backed securities	28,846	-	-	11,053	3,850	-	43,749
Loans	88,612	-	2,616	6,200	23,836	-	121,264
Discount securities	-	1,246,228	-	-	-	-	1,246,228
Derivatives	-	-	-	-	-	(365,503)	(365,503)
Listed and unlisted investments	-	-	-	-	-	25,502,888	25,502,888
Directly held real estate	-	-	-	-	-	375,455	375,455
Life insurance policies	253,294	-	-	-	-	-	253,294
Outstanding settlements	-	-	-	-	-	38,128	38,128
Receivables	-	-	-	-	-	471,311	471,311
	2,676,756	2,190,338	1,243,113	887,980	1,492,445	26,022,279	34,512,911
Financial liabilities							
Payables	-	-	-	-	-	488,493	488,493
	-	-	-	-	-	488,493	488,493
Net financial assets	2,676,756	2,190,338	1,243,113	887,980	1,492,445	25,533,786	34,024,418
30 June 2014							
Financial assets							
Cash and deposits	1,910,939	231,249	1,030,546	125,581	-	-	3,298,315
Convertible notes	757	3,248	7,490	50,935	38,831	-	101,261
Fixed interest bonds	-	32,787	54,113	630,691	915,276	-	1,632,867
Floating rate notes	216,886	-	-	-	-	-	216,886
Mortgage backed securities	565,188	-	-	23,295	169,563	-	758,046
Asset backed securities	44,333	-	-	2,974	8,032	-	55,339
Loans	63,443	-	-	6,227	11,584	-	81,254
Discount securities	-	1,023,745	-	-	-	-	1,023,745
Derivatives	-	-	-	-	-	225,601	225,601
Listed and unlisted investments	-	-	-	-	-	21,318,445	21,318,445
Directly held real estate	-	-	-	-	-	487,582	487,582
Life insurance policies	270,585	-	-	-	-	-	270,585
Receivables	-	-	-	-	-	562,889	562,889
	3,072,131	1,291,029	1,092,149	839,703	1,143,286	22,594,517	30,032,815
Financial liabilities							
Payables	-	-	-	-	-	420,756	420,756
	-	-	-	-	-	420,756	420,756
Net financial assets	3,072,131	1,291,029	1,092,149	839,703	1,143,286	22,173,761	29,612,059

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19. FINANCIAL INSTRUMENTS (Cont.)

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. An 80 basis points (2014: 100 bps) increase or decrease represents management's assessment of the possible change in interest rates.

The following table illustrates the effect on total revenue less expenditure after income tax and net assets available to pay benefits from possible changes in market risk that were reasonably possible based on the risk the Group was exposed to at reporting date. Liability for accrued benefits would also change by a similar amount as net assets available to pay benefits.

	Change in Variable		Effect on total revenue less expenditure after income tax and net assets available to pay benefits			
			Consolidated		Fund	
			2015	2014	2015	2014
	2015	2014	2015	2014	2015	2014
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Interest rate	+ 80 bps	+ 100 bps	(116,243)	(116,912)	(116,243)	(116,912)
Interest rate	- 80 bps	- 100 bps	116,243	116,912	116,243	116,912

Currency Risk

Currency risk is the risk that the net market value of a financial asset will fluctuate because of changes in foreign exchange rates.

The Group undertakes certain transactions denominated in foreign currencies and is therefore exposed to the effects of exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters. This exchange rate exposure is managed in line with the Trustee's investment policies and the RMF. The Group's overall strategy in foreign currency risk management remains unchanged from 2014.

It is the policy of the Trustee to enter into forward foreign exchange contracts and cross currency swaps to cover the change in asset values that may arise from currency translation. The contracts are entered into on a rolling basis throughout the year and, consequently, there is no specific cover for foreign currency payments and receipts.

The Group's exposure to foreign exchange rate movements on its investments was as follows:

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19. FINANCIAL INSTRUMENTS (Cont.)

Currency Risk (Cont.)

Consolidated	INVESTMENTS DENOMINATED IN FOREIGN CURRENCY					
	USD A\$ 000	EUR A\$ 000	GBP A\$ 000	JPY A\$ 000	CNY A\$ 000	OTHER A\$ 000
30 June 2015						
Gross investment amounts denominated in foreign currency	10,412,002	2,206,513	900,462	710,837	575,759	3,036,175
Less: Amount effectively hedged	7,716,566	2,017,826	579,638	353,172	-	660,014
Net exposure	2,695,436	188,687	320,824	357,665	575,759	2,376,161
30 June 2014						
Gross investment amounts denominated in foreign currency	7,887,833	2,184,198	699,400	489,340	467,596	2,011,973
Less: Amount effectively hedged	6,399,040	1,447,260	493,839	246,208	-	381,221
Net exposure	1,488,793	736,938	205,561	243,132	467,596	1,630,752

The Fund's exposure to foreign exchange rate movements on its investments was as follows:

Fund	INVESTMENTS DENOMINATED IN FOREIGN CURRENCY					
	USD A\$ 000	EUR A\$ 000	GBP A\$ 000	JPY A\$ 000	CNY A\$ 000	OTHER A\$ 000
30 June 2015						
Gross investment amounts denominated in foreign currency	10,412,002	2,206,513	900,462	710,837	575,759	3,036,175
Less: Amount effectively hedged	7,716,566	2,017,826	579,638	353,172	-	660,014
Net exposure	2,695,436	188,687	320,824	357,665	575,759	2,376,161
30 June 2014						
Gross investment amounts denominated in foreign currency	7,887,833	2,184,198	699,400	489,340	467,596	2,011,973
Less: Amount effectively hedged	6,399,040	1,447,260	493,839	246,208	-	381,221
Net exposure	1,488,793	736,938	205,561	243,132	467,596	1,630,752

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19. FINANCIAL INSTRUMENTS (Cont.)

Currency sensitivity

The following table details the Group's sensitivity to a 12% (2014: 20%) increase and decrease in the Australian Dollar against the relevant foreign currencies. A 12% increase or decrease is management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 12% (2014: 20%) change in foreign currency rates. Liability for accrued benefits would also change by a similar amount as net assets available to pay benefits.

Consolidated and Fund effect on total revenue less expenditure after income tax and net assets available to pay benefits	2015 \$ 000	2014 \$ 000
Effect of 12% (2014: 20%) increase in AUD relative to foreign currency exchange rates		
USD impact	(245,477)	(210,912)
EUR impact	(17,184)	(104,400)
GBP impact	(29,218)	(29,121)
JPY impact	(32,573)	(34,444)
CNY impact	(52,435)	(66,243)
Other currencies impact	(216,400)	(231,023)
Effect of 12% (2014: 20%) decrease in AUD relative to foreign currency exchange rates		
USD impact	312,426	316,369
EUR impact	21,871	156,599
GBP impact	37,186	43,682
JPY impact	41,457	51,666
CNY impact	66,736	99,364
Other currencies impact	275,419	346,535

Price risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Group has investments in a variety of assets which are exposed to price risk. The Group is exposed to equity price risk arising from market equity investments and other price risk arising from its investments in collective vehicles

As the majority of the Group's financial instruments are carried at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect net investment income.

Price risk is mitigated by the Group's investment managers by constructing diversified portfolios of instruments traded on various markets.

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19. FINANCIAL INSTRUMENTS (Cont.)

Price risk sensitivity

The following table illustrates the effect on total revenue less expenditure after income tax and net assets available to pay benefits from specified changes in market prices that were reasonably possible based on management's assessment of the risk the Group was exposed to at the reporting date. For a negative change in the variable, there would be an equal and opposite impact on the net assets available to pay benefits, and the balances below would be negative. Liability for accrued benefits would also change by a similar amount as net assets available to pay benefits.

	Change in Variable		Effect on total revenue less expenditure after income tax and net assets available to pay benefits			
			Consolidated		Fund	
	2015 +/-	2014 +/-	2015 \$ 000	2014 \$ 000	2015 \$ 000	2014 \$ 000
Australian equities	19%	20%	1,250,782	1,239,571	1,250,782	1,239,571
International equities	21%	20%	1,642,823	1,262,310	1,642,823	1,262,310
Property	11%	10%	300,184	218,351	300,184	218,351
Alternative assets *	9% - 14%	10%	657,105	447,105	660,957	450,681
Cash and fixed interest securities	4%	5%	4,315	5,013	4,315	5,013

* For alternative assets a range of 9-14% has been used depending upon the nature of the underlying assets (Infrastructure 11%, Private Capital 14% and Hedge Funds 9%).

(h) Liquidity risk

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

The Trustee manages liquidity to ensure that the Group will always have sufficient liquidity to meet its liabilities. The Fund allows members to withdraw benefits and it is therefore exposed to the liquidity risk of meeting members' withdrawals within the timeframes permitted under relevant law. In some circumstances, the Trustee has the discretion to delay redemptions. The value of the liabilities to members is determined by the value of the assets.

The Group is also exposed to liquidity risk of meeting the capital commitments disclosed in note 21.

The Group's liquidity risk is managed in accordance with the Group's investment strategy. The Fund principally manages liquidity risk by maintaining adequate banking facilities, continuous monitoring of forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities and through regular scenario testing designed to control the minimum exposure to liquid asset classes at any one point in time. The Fund also has a high level of net inward cash flows (through new contributions) which provide additional capacity to manage liquidity risk.

The following table summarises the maturity profile of the Fund's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

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19. FINANCIAL INSTRUMENTS (Cont.)

(h) Liquidity risk (Cont.)

Consolidated	3 months or less	3-12 months	1-5 years	Over 5 years	Total
30 June 2015	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Vested benefits:					
Accumulation members	33,119,462	-	-	-	33,119,462
Defined benefit members	88,225	-	-	-	88,225
Other:					
Benefits payable	247,135	-	-	-	247,135
Other payables	39,375	-	-	-	39,375
Other financial liabilities	6,248	-	-	-	6,248
Investment other payables	195,328	-	-	-	195,328
Cash collateral repayable	208,780	-	-	-	208,780
Net derivative liabilities:					
Futures	17,386	826	25	-	18,237
Options	12,164	19	-	-	12,183
Forward foreign exchange contracts					
- Outflow	349,314	217,428	-	-	566,742
- Inflow	(10,723)	(5,923)	-	-	(16,646)
	338,591	211,505	-	-	550,096
Cross -currency swaps					
- Outflow	77	233,338	698,396	590	932,401
- Inflow	-	(205,145)	(654,998)	-	(860,143)
	77	28,193	43,398	590	72,258
	34,272,771	240,543	43,423	590	34,557,327
30 June 2014					
Vested benefits:					
Accumulation members	28,799,355	-	-	-	28,799,355
Defined benefit members	91,805	-	-	-	91,805
Other:					
Benefits payable	228,262	-	-	-	228,262
Other payables	29,159	-	-	-	29,159
Other financial liabilities	5,634	-	-	-	5,634
Investment other payables	163,375	-	-	-	163,375
Cash collateral repayable	-	-	-	-	-
Net derivative liabilities:					
Futures	2,965	160	-	-	3,125
Options	10,333	44	-	-	10,377
Forward foreign exchange contracts					
- Outflow	76,880	28,461	-	3,576	108,917
- Inflow	(24,606)	(9,388)	-	-	(33,994)
	52,274	19,073	-	3,576	74,923
Cross -currency swaps					
- Outflow	399	23	208,090	1,427	209,939
- Inflow	-	-	(201,497)	-	(201,497)
	399	23	6,593	1,427	8,442
	29,383,561	19,300	6,593	5,003	29,414,457

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19. FINANCIAL INSTRUMENTS (Cont.)

(h) Liquidity risk (Cont.)

Fund	3 months or less \$ 000	3-12 months \$ 000	1-5 years \$ 000	Over 5 years \$ 000	Total \$ 000
30 June 2015					
Vested benefits:					
Accumulation members	33,119,462	-	-	-	33,119,462
Defined benefit members	88,225	-	-	-	88,225
Other:					
Benefits payable	247,135	-	-	-	247,135
Other payables	43,724	-	-	-	43,724
Other financial liabilities	2,104	-	-	-	2,104
Investment other payables	195,328	-	-	-	195,328
Cash collateral repayable	208,780	-	-	-	208,780
Net derivative liabilities:					
Futures	17,386	826	25	-	18,237
Options	12,164	19	-	-	12,183
Forward foreign exchange contracts					
- Outflow	349,314	217,428	-	-	566,742
- Inflow	(10,723)	(5,923)	-	-	(16,646)
	<u>338,591</u>	<u>211,505</u>	<u>-</u>	<u>-</u>	<u>550,096</u>
Cross -currency swaps					
- Outflow	77	233,338	698,396	590	932,401
- Inflow	-	(205,145)	(654,998)	-	(860,143)
	<u>77</u>	<u>28,193</u>	<u>43,398</u>	<u>590</u>	<u>72,258</u>
	<u>34,272,976</u>	<u>240,543</u>	<u>43,423</u>	<u>590</u>	<u>34,557,532</u>
30 June 2014					
Vested benefits:					
Accumulation members	28,799,355	-	-	-	28,799,355
Defined benefit members	91,805	-	-	-	91,805
Other:					
Benefits payable	228,262	-	-	-	228,262
Other payables	33,900	-	-	-	33,900
Other financial liabilities	1,951	-	-	-	1,951
Investment other payables	163,375	-	-	-	163,375
Cash collateral repayable	-	-	-	-	-
Net derivative liabilities:					
Futures	2,965	160	-	-	3,125
Options	10,333	44	-	-	10,377
Forward foreign exchange contracts					
- Outflow	76,880	28,461	-	3,576	108,917
- Inflow	(24,606)	(9,388)	-	-	(33,994)
	<u>52,274</u>	<u>19,073</u>	<u>-</u>	<u>3,576</u>	<u>74,923</u>
Cross -currency swaps					
- Outflow	399	23	208,090	1,427	209,939
- Inflow	-	-	(201,497)	-	(201,497)
	<u>399</u>	<u>23</u>	<u>6,593</u>	<u>1,427</u>	<u>8,442</u>
	<u>29,384,619</u>	<u>19,300</u>	<u>6,593</u>	<u>5,003</u>	<u>29,415,515</u>

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19. FINANCIAL INSTRUMENTS (Cont.)

(i) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value (net market value), grouped into Levels 1 to 3 based on the degree to which the major inputs to the fair value are observable.

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

Consolidated	Level 1	Level 2	Level 3	Total
30 June 2015	\$ 000	\$ 000	\$ 000	\$ 000
Cash and cash equivalents	2,750,134	938,554	-	3,688,688
Fixed interest securities	500,401	3,572,645	78,227	4,151,273
Australian equities	6,570,139	936,163	-	7,506,302
International equities	6,736,545	2,090,170	156,447	8,983,162
Property	10,676	233,623	2,875,207	3,119,506
Alternative assets	39,631	2,879,500	3,538,237	6,457,368
Total	16,607,526	10,650,655	6,648,118	33,906,299
30 June 2014				
Cash and cash equivalents	2,371,930	1,417,996	-	3,789,926
Fixed interest securities	941,878	2,718,186	101,304	3,761,368
Australian equities	6,214,427	852,258	990	7,067,675
International equities	5,545,857	1,673,284	96,099	7,315,240
Property	9,999	117,942	2,429,511	2,557,452
Alternative assets	26,389	2,201,854	2,765,811	4,994,054
Total	15,110,480	8,981,520	5,393,715	29,485,715

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19. FINANCIAL INSTRUMENTS (Cont.)

(i) Fair value hierarchy (Cont.)

Fund	Level 1	Level 2	Level 3	Total
30 June 2015	\$ 000	\$ 000	\$ 000	\$ 000
Cash and cash equivalents	2,749,434	938,554	-	3,687,988
Fixed interest securities	500,401	3,572,645	78,227	4,151,273
Australian equities	6,570,139	936,163	-	7,506,302
International equities	6,736,545	2,090,170	156,447	8,983,162
Property	10,676	233,623	2,875,207	3,119,506
Alternative assets	39,631	2,879,500	3,582,531	6,501,662
Total	16,606,826	10,650,655	6,692,412	33,949,893
30 June 2014				
Cash and cash equivalents	2,371,230	1,417,996	-	3,789,226
Fixed interest securities	941,878	2,718,186	101,304	3,761,368
Australian equities	6,214,427	852,258	990	7,067,675
International equities	5,545,857	1,673,284	96,099	7,315,240
Property	9,999	117,942	2,429,511	2,557,452
Alternative assets	26,389	2,201,854	2,806,282	5,034,525
Total	15,109,780	8,981,520	5,434,186	29,525,486

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

Transfer between levels

There were no significant transfers between level 1 and 2 in the period. There was a transfer out from level 3 of \$33,141,000 for the year ended 30 June 2015. The transfer to level 2 from level 3 of fixed interest securities is as a result of the prices for the inputs becoming more observable as at 30 June 2015. There were no changes made to any of the valuation techniques applied as of 30 June 2014.

Fair value measurements using significant unobservable inputs (level 3)

The following tables present the movement in level 3 financial assets as at the reporting date by asset class of financial instruments.

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19. FINANCIAL INSTRUMENTS (Cont.)

(i) Fair value hierarchy (Cont.)

Fair value measurements using significant unobservable inputs (level 3) (Cont.)

Consolidated	Fixed interest securities \$ 000	Australian equities \$ 000	International equities \$ 000	Property \$ 000	Alternative assets \$ 000	Total \$ 000
30 June 2015						
Opening balance at 1 July 2014	101,304	990	96,099	2,429,511	2,765,811	5,393,715
Changes in net market value of investments in Statement of Changes in Net Assets	29,460	(387)	47,937	326,468	655,967	1,059,445
Purchases	10	-	20,376	1,260,229	1,963,156	3,243,771
Redemptions	(19,406)	(603)	(7,965)	(1,141,001)	(1,846,697)	(3,015,672)
Transfers to/(from) level 3	(33,141)	-	-	-	-	(33,141)
Closing balance at 30 June 2015	<u>78,227</u>	<u>-</u>	<u>156,447</u>	<u>2,875,207</u>	<u>3,538,237</u>	<u>6,648,118</u>
Changes in net market value of investments in Statement of Changes in Net Assets on assets held at the reporting date	26,497	(209)	47,937	308,594	657,306	1,040,125
30 June 2014						
Opening balance at 1 July 2013	88,727	896	78,800	1,869,487	2,790,006	4,827,916
Changes in net market value of investments in Statement of Changes in Net Assets	(3,543)	94	10,128	62,483	139,044	208,206
Purchases	38,050	-	13,529	675,424	604,635	1,331,638
Redemptions	(21,930)	-	(5,987)	(177,883)	(767,874)	(973,674)
Transfers to/(from) level 3	-	-	(371)	-	-	(371)
Closing balance at 30 June 2014	<u>101,304</u>	<u>990</u>	<u>96,099</u>	<u>2,429,511</u>	<u>2,765,811</u>	<u>5,393,715</u>
Changes in net market value of investments in Statement of Changes in Net Assets on assets held at the reporting date	(4,370)	94	10,525	53,901	142,399	202,549
Fund						
	Fixed interest securities \$ 000	Australian equities \$ 000	International equities \$ 000	Property \$ 000	Alternative assets \$ 000	Total \$ 000
30 June 2015						
Opening balance at 1 July 2014	101,304	990	96,099	2,429,511	2,806,282	5,434,186
Changes in net market value of investments in Statement of Changes in Net Assets	29,460	(387)	47,937	326,468	659,790	1,063,268
Purchases	10	-	20,376	1,260,229	1,963,156	3,243,771
Redemptions	(19,406)	(603)	(7,965)	(1,141,001)	(1,846,697)	(3,015,672)
Transfers to/(from) level 3	(33,141)	-	-	-	-	(33,141)
Closing balance at 30 June 2015	<u>78,227</u>	<u>-</u>	<u>156,447</u>	<u>2,875,207</u>	<u>3,582,531</u>	<u>6,692,412</u>
Changes in net market value of investments in Statement of Changes in Net Assets on assets held at the reporting date	26,497	(209)	47,937	308,594	661,129	1,043,948
30 June 2014						
Opening balance at 1 July 2013	88,727	896	78,800	1,869,487	2,823,300	4,861,210
Changes in net market value of investments in Statement of Changes in Net Assets	(3,543)	94	10,128	62,483	146,221	215,383
Purchases	38,050	-	13,529	675,424	604,635	1,331,638
Redemptions	(21,930)	-	(5,987)	(177,883)	(767,874)	(973,674)
Transfers to/(from) level 3	-	-	(371)	-	-	(371)
Closing balance at 30 June 2014	<u>101,304</u>	<u>990</u>	<u>96,099</u>	<u>2,429,511</u>	<u>2,806,282</u>	<u>5,434,186</u>
Changes in net market value of investments in statement of Changes in Net Assets on assets held at the reporting date	(4,370)	94	10,525	53,901	149,543	209,693

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19. FINANCIAL INSTRUMENTS (Cont.)

(i) Fair value hierarchy (Cont.)

Valuation processes

The pricing for the majority of the Group's investments is sourced from independent pricing sources, the relevant investment manager or reliable brokers' quotes.

Investments for which values are based on quoted market prices in active liquid markets, e.g. recognised stock exchanges, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include fixed interest securities, over-the-counter derivatives and investments in unlisted unit trusts within which the underlying securities are primarily valued by applying quoted market prices in active markets. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted investment vehicles such as unit trusts and partnerships as well as direct property. As observable prices are not available for these securities, the Group has typically received valuations from investment managers, or from independent valuers appointed by them, who have used generally accepted valuation techniques to derive fair value.

Where a valuation model technique is used, the underlying investment manager or external independent valuer considers liquidity, credit and market risk factors, and adjusts the model as deemed necessary. As part of this process valuers generally consider several alternative valuation assumptions in their model which determine valuation ranges around the valuer's best estimate of fair value.

The following table illustrates how the valuation ranges around fair value provided to the Group could affect total revenue less expenditure after income tax and net assets available to pay benefits if other reasonably possible alternative valuation assumptions were used as at the reporting date.

	Effect on total revenue less expenditure after income tax and net assets available to pay benefits			
	2015		2014	
	Favourable change \$ 000	Unfavourable change \$ 000	Favourable change \$ 000	Unfavourable change \$ 000
Consolidated and Fund				
Property	12,140	(6,898)	13,663	(9,029)
Alternative assets	32,810	(23,642)	16,076	(16,086)

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19. FINANCIAL INSTRUMENTS (Cont.)

(j) Securities lending arrangements

The Group has entered into securities lending arrangements with the State Street Bank and Trust Company on the 17 October 2014, under which legal title to certain assets of the Fund may be transferred to another entity, notwithstanding the fact that the risks and benefits of ownership of the assets remain with the Group.

Loaned Assets and Collateral

The assets transferred to other entities under securities lending arrangements may include Australian and International equities and fixed income securities (global bonds) that are held discretely by the Fund's Custodian. The risks of ownership to which the Group remains exposed are currency risk, interest rate risk, credit risk and price risk.

The carrying amount of securities that may be eligible for securities lending activities at reporting date amounted to \$12,973m. The carrying amount of securities on loan at reporting date was \$616m.

The terms and conditions associated with the use of collateral held as security in relation to the assets lent are governed by a Securities Lending Agreement that requires the borrower to provide the lender with collateral to the value equal to or greater than the loaned securities. The collateral held at reporting date as security consisted of cash and fixed interest securities with a fair value of \$644m. The cash collateral held amounted to \$208m and is recognised as both a financial asset and a financial liability in the Statement of Net Assets. Non cash collateral held is not recognised in the Statement of Net Assets. No collateral has been sold or repledged during the year. The State Street Bank and Trust Company, as lending agent, indemnifies the Group for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to a Borrower default on a security loan.

Earnings and Fees

During the year the gross earnings were \$0.9m (2014: Nil). These amounts were received on behalf of the Group and have been recognised in the statement of changes in net assets. During the year ended 30 June 2015, the Group paid fees to the State Street Bank and Trust Company in the amount of \$0.2m (2014: Nil) for acting as lending agent and have been recognised in the statement of changes in net assets.

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20. CONTROLLED ENTITIES

Parent entity	Country of incorporation	Ownership interest	
Sunsuper Superannuation Fund		2015	2014
Controlled entities ⁽¹⁾			
Consolidated			
Sunsuper Financial Services Pty Ltd	Australia	100%	100%
Precision Administration Services Pty Ltd	Australia	100%	100%
Not consolidated			
Beston Accommodation Parks Trust	Australia	100%	100%
Carrix (SPV) SS Pty Ltd	Australia	100%	100%
CCP Bidco Trust 2	Australia	76%	76%
Colonial First State Private Capital Pty Ltd	Australia	100%	100%
CWC Corporate Opportunity 1A Trust	Australia	100%	100%
CWC Corporate Opportunity 1B Trust	Australia	100%	100%
CWC Corporate Opportunity No 1 Limited Partnership LP	Australia	90%	90%
Discovery Parks Holdings Pty Ltd	Australia	98%	98%
H-G Capital Pty Ltd	Australia	100%	100%
Corporate Opportunity Fund 2A LP	Australia	83%	83%
Corporate Opportunity Fund 2A Trust	Australia	83%	83%
Project Cricket SS Unit Trust	Australia	100%	100%
Riversdale Investment Op Trust	Australia	100%	100%
Riversdale Investment Prop Trust	Australia	100%	100%
Sentient Global Resource Trust II	Cayman Islands	100%	100%
Sunsient Ltd	Cayman Islands	100%	100%
Sunsuper Holdings Pty Ltd	Australia	100%	100%
Sunsuper Infrastructure Trust 1	Australia	100%	100%
Sunsuper Infrastructure Trust 2	Australia	100%	100%
Sunsuper Infrastructure Trust 3	Australia	100%	100%
Sunsuper Infrastructure Trust 4	Australia	100%	100%
Sunsuper Infrastructure Trust 5	Australia	100%	100%
Sunsuper Investments A Pty Ltd	Australia	100%	100%
Sunsuper Pooled Superannuation Trust	Australia	100%	100%
SunVest LLC	USA	100%	100%
Tasmanian Softwood Fund Pty Ltd	Australia	59%	59%
Westbourne Yield Fund No. 5	Australia	100%	100%
Sunkina Choice LP	Jersey	99.8%	n/a
Sunrock Discretionary Co-Investment Fund, LLC	USA	100%	n/a
Sunvard LP	USA	100%	n/a

⁽¹⁾ Refer Note 2q.

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21. COMMITMENTS FOR EXPENDITURE

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Fund	
	2015	2014	2015	2014
	\$ 000	\$ 000	\$ 000	\$ 000
Not longer than 1 year	5,869	5,565	3,009	2,344
1 - 5 years	22,351	10,908	11,167	7,580
Over 5 years	2,927	4,959	1,880	3,545
Commitments not recognised in the financial statements	31,147	21,432	16,056	13,469
Minimum lease payments included in expenses in the Statement of Changes in Net Assets	5,423	5,125	2,101	2,037

Other commitments

Other expenditure contracted for at the reporting date but not recognised as liabilities is payable as follows:

Software support and maintenance

Not longer than 1 year	2,099	505	-	-
1 - 5 years	-	506	-	-
Commitments not recognised in the financial statements	2,099	1,011	-	-

Investments

No longer than 1 year				
- Property	53,846	29,625	53,846	29,625
- Alternative Assets ⁽¹⁾	233,858	352,899	233,858	352,899
Commitments not recognised in the financial statements	287,704	382,524	287,704	382,524

⁽¹⁾ Investment commitments can be called upon at any time by the underlying investment manager depending on their requirements to fund new investments.

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22. RESERVES

In order to comply with legislative and Trust Deed requirements, the Trustee maintains a number of reserves in the Fund for the benefit of members.

Operational Risk Financial Requirement (ORFR)

The Trustee is required to maintain adequate financial resources to address losses arising from operational risks that may affect its business operations. The operational risk financial requirement (ORFR) is the target amount of financial resources that the Trustee determines is necessary to respond to these losses.

The Trustee revised its operational risk financial requirement for the Group effective 24 June 2015 and set an ORFR target amount at 0.25% of Fund net assets plus 0.10% of Sunsuper Pooled Superannuation Trust (PST) net assets. The ORFR target amount prior to 24 June 2015 was set at 0.25% to 0.28% of Fund net assets plus 0.10% of PST net assets. The PST is a controlled entity (refer Note 20) and has the same Trustee as Sunsuper Superannuation Fund. The amount of ORFR held by the Fund which is attributed to the PST at 30 June 2015 is \$6,204,744 (2014: \$4,257,168).

The Trustee may call upon the resources held to meet the ORFR target amount to make a payment to address an operational risk that has materialised and caused one or more beneficiaries in the Fund or in the PST to sustain a loss, or to be deprived of a gain, to which they otherwise would have been entitled, in relation to their benefits in the Fund or in the PST.

Initial funding of the ORFR and future top-up or replenishment is from the general reserve. The ORFR is invested in the Balanced Option.

A reconciliation of the movement in the ORFR reserve is set out below:

	Fund	
	2015	2014
	\$ 000	\$ 000
ORFR reserve at beginning of year	81,551	-
Transfer from general reserve	-	72,464
Earnings from investment in Balanced Fund	8,267	9,087
Movement in reserve	8,267	81,551
ORFR reserve at end of year	89,818	81,551

General Reserve

The Trustee maintains a general reserve in the Fund for the benefit of members. The general reserve is maintained in order to:

- Help meet the operating expenses of the Fund;
- Assist with the management of the operational risks of the Fund, including meeting losses from events not covered by insurance, or not claimed under insurance policies, and not met from the ORFR;
- Support the ORFR;
- Support the timing differences between the level of investment tax and the investment costs incurred by the Fund and the level of investment tax and investment fees charged to members; and

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22. RESERVES (Cont.)

General Reserve (Cont.)

- Support expenses and capital investments in assets designed to enhance the efficiency of the Fund's operations.

The Trustee does not maintain the general reserve for the purpose of smoothing investment earnings for any investment options. Members' accounts are credited or debited with the actual earnings of their investment option or options.

The general reserve may only be invested in:

- The Balanced Option;
- Low volatility investments (e.g. cash) to fund significant short-term liabilities (e.g. taxes); and
- Any other investments approved by the Trustee.

	Fund	
	2015	2014
	\$ 000	\$ 000
General reserve at beginning of year	190,856	196,197
Net investment revenue	2,866,286	3,354,581
Investment earnings (net of investment fees and tax) allocated to members	(2,827,319)	(3,125,684)
Indirect member expenses charged to reserve	(131,648)	(132,889)
Administration levies charged to member accounts	91,083	87,909
Member benefit protection	120	286
Income tax expense	(343,903)	(533,704)
Tax levies charged to member accounts	356,626	347,338
Group life insurance rebate	(2,000)	3,500
Other	99	75
Transfer to ORFR	-	(72,464)
Transfer from Insurance reserve	254	-
Transfer from successor fund ⁽¹⁾	232	65,711
	9,830	(5,341)
Movement in reserve		
General reserve at end of year	200,686	190,856

⁽¹⁾ Refer note 23

Insurance Reserve

As part of the Fund's group life insurance arrangements with the insurers, the Trustee may receive group life insurance rebates. The Trustee uses any group life insurance rebates to help meet insurance offering costs or to fund insurance related enhancements. Any group life insurance rebate which is received and not yet used for these purposes is allocated to an insurance reserve. Any insurance reserve balance is invested in cash or term deposits. The reserve had a nil balance at 30 June 2015.

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22. RESERVES (Cont.)

Insurance Reserve (Cont.)

A reconciliation of the movement in the insurance reserve is set out below:

	Fund	
	2015	2014
	\$ 000	\$ 000
Insurance reserve at beginning of year	250	1,142
Group life insurance premiums - discount to member	-	(9,603)
Group life insurance rebate	-	8,500
Investment earnings allocated	5	53
Tax levies charged	(1)	158
Transfer to general reserve	(254)	-
	(250)	(892)
Insurance reserve at end of year	-	250

23. TRANSFER FROM SUCCESSOR FUND

In the 2014 financial year, a successor Fund Deed and Deed of Indemnity was entered into by Sunsuper Pty Ltd and Chifley Financial Services Ltd whereby the members of Chifley Super (Chifley) became members of Sunsuper Superannuation Fund (the Fund). The transfer was permitted under the Superannuation Industry (Supervision) Regulations 1994. The date of transfer was 15 April 2014.

The assets transferred from Chifley to the Fund comprised investments, cash and deferred tax asset. The realised taxable capital losses which make up the deferred tax asset transferred from Chifley, have been offset against the Fund's net unrealised capital gains and are reflected in the deferred tax liabilities (refer note 18(c)). A portion of the deferred tax asset and cash has been recognised as an increase in the general reserve (refer note 22).

The assets which were transferred from Chifley have been valued in accordance with the Fund's accounting policies (refer note 2).

The transfer from successor fund has resulted in the following movements:

	Fund	
	2015	2014
	\$ 000	\$ 000
Investments	-	352,954
Cash at bank	332	10,558
Total assets	332	363,512
Deferred tax liabilities	(214)	(98,787)
Net assets available to pay benefits	546	462,299
Represented by:		
Vested benefits - accumulation members	314	396,588
General reserve	232	65,711

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24. RELATED PARTIES

(a) Trustee

The Trustee of the Fund throughout the year was Sunsuper Pty Ltd (ACN 010 720 840).

(b) Key management personnel

The following is a list of the directors of Sunsuper Pty Ltd at any time during the financial year and up to the date of this report along with key management personnel who had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

Name	Position	Date began holding position	Date ceased holding position
John Battams ⁽¹⁾	Director - Member Representative	30 September 2005	
Ron Monaghan ⁽¹⁾	Director - Member Representative	6 December 2007	31 July 2015
Ben Swan ⁽²⁾	Director - Member Representative	5 August 2013	
Graham Heilbronn	Director - Employer Representative	11 October 2006	31 December 2014
Robert Hutchinson	Director - Employer Representative	28 October 2010	
Elizabeth Hallett	Director - Employer Representative	27 March 2014	
Paul Lahiff	Director - Employer Representative	1 January 2015	
Jenni Mack	Director - Independent	1 July 2015	
Andrew Fraser	Director - Independent	16 September 2015	
Michael Traill	Director - Independent	16 September 2015	
Scott Hartley	Chief Executive Officer	28 January 2014	
Bruce Wilson ⁽³⁾	Chief Financial Officer	14 September 2000	22 July 2014
David Hartley ⁽⁴⁾	Chief Investment Officer	7 September 2005	5 November 2015
Teifi Whatley	Executive General Manager, Customer Experience & Insights	19 June 2000	
Steven Travis	Executive General Manager, Customer Service & People	15 February 2010	
Julian Carroll	Executive General Manager, Information, Solutions & Technology	8 August 2011	
Michael Mulholland	Executive General Manager, Business Growth & Advice	28 May 2014	
Jason Sommer	Executive General Manager, Product, Projects & Technical Services	16 June 2014	
Craig Neal	Chief Financial Officer	1 July 2014	
Teresa Hamilton	Executive General Manager, Risk, Legal & Compliance	1 July 2014	
Andrea Forbes	Executive General Manager, Strategy, Education and External Relations	5 January 2015	

⁽¹⁾ Director fees are paid to the employer of the director, Queensland Council of Unions

⁽²⁾ Director fees are paid to the employer of the director, The Australian Workers' Union of Employees, Queensland

⁽³⁾ Bruce Wilson was appointed as Acting Chief Executive Officer for the period from 27 July 2013 to 27 January 2014

⁽⁴⁾ David Hartley has formally given notice and will retire on 5 November 2015

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24. RELATED PARTIES (Cont.)

(c) Compensation and evaluation of key management personnel

Evaluation of the Board and key management personnel

The Board has implemented a process for the periodic review and evaluation of its performance and the performance of its committees, individual directors and key management personnel.

The Chief Executive Officer, in conjunction with the Board Remuneration and Nominations Committee, is responsible for approving the performance objectives and measures for key management personnel, and providing input into the evaluation of performance against these objectives.

Performance evaluations for the financial year ended 30 June 2015 have been conducted in accordance with the approved process. Additional information relating to evaluation and short-term incentive bonuses can be found below.

Remuneration of directors and key management personnel

Director remuneration consists of Board and committee fees, superannuation guarantee contributions and the reimbursement of reasonable expenses. The fees reflect the demands on and responsibilities of those directors. Director remuneration was paid by Sunsuper Pty Ltd.

Key management personnel remuneration comprises salaries, superannuation guarantee contributions, short-term incentive bonuses and the reimbursement of reasonable expenses. The Chief Executive Officer, in conjunction with the Board Remuneration and Nominations Committee, is responsible for determining the remuneration of key management personnel. The Nominations and Remuneration Committee reviews the Chief Executive Officer's remuneration. The Committee makes recommendations to the Board for its approval.

Director and key management personnel remuneration, including the Chief Executive Officer's, is reviewed at least annually. Remuneration levels are benchmarked against independent external sources. The directors and key management personnel are paid in accordance with the remuneration policy. In the case of directors, fees may be paid to the director, paid to the employer of the director or salary sacrificed as superannuation contributions.

Short-term incentive bonuses

The remuneration of key management personnel who are executive officers includes short-term incentive bonuses.

Objectives

The objectives of the short term incentive bonuses are to:

- focus executive officers on the achievement of results and the performance of Sunsuper against agreed targets;
- demonstrate a clear relationship between performance and remuneration;
- be fair and consistent in rewarding performance among executive officers and all employees;
- reinforce a performance culture in Sunsuper;
- protect the interests, and meet the reasonable expectations, of beneficiaries;
- support the long term financial soundness of Sunsuper; and
- support the risk management framework of the Trustee.

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**NOTES TO THE FINANCIAL STATEMENTS
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24. RELATED PARTIES (Cont.)

(c) Compensation and evaluation of key management personnel (Cont.)

Short-term incentive bonuses (Cont.)

Key performance indicators

Key performance indicators (KPIs) are reviewed annually and targets are set, effective 1 July each year, for each executive officer. KPIs are:

- relevant and specific to each individual executive officer's position;
- aligned to areas of organisational performance as defined in the Corporate KPIs and the Strategic Plan.

Short-term incentive bonuses plan

The short-term incentive bonuses plan rewards individual executive officers for achievement of KPIs. KPI targets are set at the beginning of the financial year to which they relate and are measured over the course of each financial year (July to June). KPI results are assessed through the Performance Development and Review process that occurs annually.

The short-term incentive bonuses plan for the Chief Investment Officer is based upon investment out-performance compared to benchmarks. The KPI targets are aligned to the investment objectives and are relevant to the needs of Sunsuper members. The KPI targets are reviewed annually and approved by the Board.

Included in the eligibility criteria for the short term incentive plan bonus, an executive officer must be employed in a permanent or fixed term capacity by Sunsuper and be in continued employment when the incentive payment becomes due. The Board may adjust the performance based components for any individual executive officer.

The performance evaluations for all Executive Officers, in respect of the year ended 30 June 2015, were completed by 24 September 2015 and payments will be made on 30 September 2015. Short term incentive payments are reviewed by the Remuneration and Nominations Committee and approved by the Board.

For the financial years ending 30 June 2015, the maximum amounts each executive officer was eligible to receive as an incentive payment were as follows:

	If KPI targets are <u>met</u>, eligible to receive an incentive payment up to:	If KPI targets are <u>exceeded</u>, eligible to receive an additional payment up to:
CEO	25% of annual salary	25% of annual salary
CIO*	50% of annual salary	55% of annual salary
Other executive officers**	<p style="text-align: center;">Two schemes</p> <p>30% of annual salary</p> <p style="text-align: center;">Or</p> <p>40% of annual salary</p>	<p>15% of annual salary</p> <p>20% of annual salary</p>

* 1/3 of the total incentive payment is deferred for 12 months

** 1/4 of the total incentive payment is deferred for 12 months

The minimum possible total amount that may be paid in all cases is \$Nil.

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24. RELATED PARTIES (Cont.)

(c) Compensation and evaluation of key management personnel (Cont.)

Short-term incentive bonuses (Cont.)

For the financial year ending 30 June 2014, the maximum amounts each executive officer was eligible to receive as an incentive payment were as follows:

	If KPI targets are <u>met</u>, eligible to receive an incentive payment up to:	If KPI targets are <u>exceeded</u>, eligible to receive an additional payment up to:
CEO	25% of annual salary	25% of annual salary
CIO*	80% of annual salary (one third of which is deferred for 12 months)	n/a
Other executive Officers	10% of annual salary	15% of annual salary

* 1/3 of the total incentive payment is deferred for 12 months

Remuneration paid and payable

The following table sets out the total remuneration paid and payable to key management personnel.

	Consolidated		Fund	
	2015	2014	2015	2014
	\$	\$	\$	\$
Directors				
Short-term employee benefits	459,931	397,480	436,935	377,606
Post-employment benefits ⁽¹⁾	69,187	105,826	65,729	100,535
	529,118	503,306	502,664	478,141
Other key management personnel				
Short-term employee benefits	3,869,319	3,410,026	2,484,130	2,397,069
Post-employment benefits ⁽¹⁾	596,325	465,205	389,857	325,132
Other long-term employee benefits ⁽²⁾	7,077	15,146	6,286	9,878
Termination benefits	-	558,322	-	280,356
	4,472,721	4,448,699	2,880,273	3,012,435
	5,001,839	4,952,005	3,382,937	3,490,576

(1) Post-employment benefits are defined as employee benefits (other than termination benefits) which are payable after the completion of employment, and comprise mainly contributions paid or payable to superannuation plans. These include salary sacrifice payments.

(2) Other long-term employee benefits represent long service leave. Other key management personnel are entitled to long service leave when a 10 year service period has been reached. Only key management personnel with 10 or more years' service have remuneration reflected in other long term employee benefits. At 30 June following when 10 years' service has been reached, the full long service leave entitlement will be included in other long-term employee benefits. Subsequent reporting periods will include any increase in this entitlement as other long term employee benefits.

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24. RELATED PARTIES (Cont.)

(c) Compensation and evaluation of key management personnel (Cont.)

Remuneration paid and payable (Cont.)

The following table sets out the detailed remuneration paid and payable to each key management personnel:

	Short-term employee benefits			Post-employment benefits		Other long-term employee benefits	Termination benefits
	Director Fees and Salary, including short-term leave (4)	Board and Committee Chair fees (5)	Incentive and other bonus	Non-monetary benefits - reportable fringe benefits	Superannuation contributions (including salary sacrifice superannuation payments)	Directors' retiring allowance	
	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2015							
John Battams ⁽¹⁾	59,210	23,351	-	-	9,907	-	-
Ronald Monaghan ⁽¹⁾	59,210	46,702	-	-	12,709	-	-
Ben Swan ⁽²⁾	59,210	-	-	-	7,105	-	-
Graham Heilbronn	17,521	11,676	-	-	17,500	-	-
Robert Hutchinson	59,210	23,351	-	-	9,907	-	-
Elizabeth Hallett	59,210	11,676	-	-	8,506	-	-
Paul Lahiff	29,605	-	-	-	3,553	-	-
Scott Hartley	521,276	-	193,343	-	116,523	-	-
Bruce Wilson	9,516	-	-	-	28,791	-	-
David Hartley	357,708	-	173,540	27,349	96,144	-	-
Teifi Whatley	220,169	-	68,244	-	41,398	-	6,958
Steven Travis	242,338	-	70,769	-	44,356	-	119
Julian Carroll	252,233	-	48,493	-	39,925	-	-
Michael Mulholland	388,005	-	100,716	-	68,888	-	-
Jason Sommer	336,039	-	125,948	-	65,233	-	-
Craig Neal	255,485	-	43,732	-	40,092	-	-
Teresa Hamilton	236,822	-	53,561	-	36,723	-	-
Andrea Forbes	122,093	-	21,939	-	18,252	-	-
Year ended 30 June 2014							
John Battams ⁽¹⁾	58,624	23,120	-	-	9,809	-	-
Ronald Monaghan ⁽¹⁾	58,624	34,680	-	-	11,196	-	-
Ben Swan ⁽²⁾	53,072	-	-	-	6,369	-	-
Peter Annand ⁽³⁾	1,616	11,560	-	-	32,600	616	-
Graham Heilbronn	36,207	34,680	-	-	35,000	-	-
Robert Hutchinson	58,624	11,560	-	-	8,422	-	-
Elizabeth Hallett	15,114	-	-	-	1,814	-	-
Scott Hartley	243,537	-	80,423	-	43,755	-	-
Anthony Lally	21,106	-	-	-	35,000	-	421,728
Bruce Wilson	471,916	-	77,042	-	54,685	-	4,941
David Hartley	329,888	-	155,076	32,686	104,967	-	-
Teifi Whatley	214,871	-	46,874	-	39,197	-	5,157
Leanne Whicker	212,675	-	-	-	34,232	-	136,594
Steven Travis	217,878	-	37,500	-	38,988	-	5,048
Craig Godfrey	216,184	-	38,045	-	37,032	-	-
Julian Carroll	206,499	-	41,064	-	39,217	-	-
Andrew Nicholson	184,401	-	38,750	-	31,455	-	-
Michael Mulholland	38,816	-	269,980	-	4,768	-	-
Jason Sommer	15,489	-	219,325	-	1,909	-	-

(1) Director fees were paid to the employer of the director, Queensland Council of Unions

(2) Director fees were paid to the employer of the director, The Australian Workers' Union of Employees, Queensland.

(3) Peter Annand received a retiring allowance of \$35,452 in relation to his services as a Director since 11 November 2002 and in accordance with his retiring allowance entitlement.

(4) The figures exclude amounts that have been salary sacrificed as superannuation payments.

(5) Additional Board and Committee allowances are paid for the following positions, Chairman of the Board, Deputy Chair, Investment Committee Chair and Audit Compliance and Risk Management Committee Chair.

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24. RELATED PARTIES (Cont.)

(c) Compensation and evaluation of key management personnel (Cont.)

Remuneration paid and payable (Cont.)

The following table sets out information about the short-term incentive bonuses which were paid or payable to each key management personnel in the years ended 30 June 2014 and 30 June 2015. Terms and conditions covering the payment of short-term incentive bonuses are described above.

Name	Incentive bonus inclusive of superannuation payment	Financial year the bonus was paid/will be payable	Financial year the performance relates to	% of incentive bonus that was paid/will be payable	% of incentive bonus that was forfeited
Anthony Lally	211,723	2014	2013	70%	30%
Bruce Wilson	45,530	2014	2013	50%	50%
David Hartley	289,602	2/3 paid in 2014 1/3 paid in 2015	2013	83%	17%
Teifi Whatley	23,045	2014	2013	38%	62%
Leanne Whicker	42,004	2014	2013	70%	30%
Steven Travis	38,384	2014	2013	64%	36%
Craig Godfrey	28,508	2014	2013	46%	54%
Julian Carroll	35,155	2014	2013	58%	42%
Andrew Nicholson	18,991	2014	2013	38%	62%
Scott Hartley	91,079	2015	2014	83%	17%
Bruce Wilson	87,251	2015	2014	96%	4%
David Hartley	175,624	2/3 paid in 2015 1/3 payable in 2016	2014	48%	52%
Teifi Whatley	53,085	2015	2014	85%	15%
Steven Travis	42,469	2015	2014	68%	32%
Craig Godfrey	43,086	2015	2014	67%	33%
Julian Carroll	46,505	2015	2014	75%	25%
Andrew Nicholson	43,884	2015	2014	78%	22%
Scott Hartley	219,444	2016 & 2017*	2015	82%	18%
David Hartley	197,096	2016**	2015	44%	56%
Teifi Whatley	77,456	2016 & 2017*	2015	72%	28%
Steven Travis	80,323	2016 & 2017*	2015	72%	28%
Julian Carroll	55,039	2016 & 2017*	2015	49%	51%
Michael Mulholland	114,312	2016 & 2017*	2015	50%	50%
Jason Sommer	142,951	2016 & 2017*	2015	72%	28%
Craig Neal	49,636	2016 & 2017*	2015	44%	56%
Teresa Hamilton	60,791	2016 & 2017*	2015	62%	38%
Andrea Forbes	24,900	2016 & 2017*	2015	49%	51%

* 3/4 of the total incentive payment will be paid in FY2016 and remaining 1/4 will be paid in FY2017.

** Full balance will be paid in FY2016. There was no 1/3 deferral due to retirement.

In addition to the above the following other bonuses were paid or payable to key management personnel in the years ended 30 June 2014 and 30 June 2015:

- Bruce Wilson was granted a bonus on 26 June 2012 of \$26,918 on condition that he remained in the employment of Sunsuper until 26 June 2013. The bonus was paid in the 2014 financial year.
- Michael Mulholland was granted a bonus on 24 April 2014 of \$269,980 as compensation for the short-term incentive bonus which was forfeited from his previous employer. The bonus was paid on

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24. RELATED PARTIES (Cont.)

(c) Compensation and evaluation of key management personnel (Cont.)

Remuneration paid and payable (Cont.)

23 June 2014 and was conditional on the executive remaining in the employment of Sunsuper until 4 December 2014.

- Jason Sommer was granted a bonus on 24 April 2014 of \$219,325 as compensation for the short-term incentive bonus which was forfeited from his previous employer. The bonus was paid on 23 June 2014 financial year and was conditional on the executive remaining in the employment of Sunsuper until 4 December 2014.

(d) Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board	Audit, Compliance and Risk Management Committee	Investment Committee	Remuneration and Nominations Committee	Claims Committee (1)
Number of meetings held in the year	10	5	5	3	12
Directors	Number of meetings attended (2)				
Ben Swan	7	4	3	N/A	2 (2)
Elizabeth Hallett	10	5	5	1 (2)	3 (3)
Graham Heilbronn	4 (5)	N/A	2 (2)	1 (1)	1 (1)
John Battams	10	3 (3)	5	3	2 (2)
Paul Lahiff	5 (5)	2 (2)	3 (3)	N/A	1 (1)
Robert Hutchinson	10	N/A	5	3	1 (1)
Ron Monaghan	10	N/A	4	3	2 (2)

(1) The Claims Committee reviews and approves the payment of insurance claims. It comprises one Director sitting in rotation supported by a management advisory committee.

(2) Where the total number of meetings the director was eligible to attend is less than the number of meetings held in the year, the number of meetings the director was eligible to attend is shown in brackets. Eligibility to attend meetings may be less than the number of meetings held in the year due to appointment and resignation of directors and rotation of committee membership.

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24. RELATED PARTIES (Cont.)

(e) Related party transactions

Trustee and transactions between the Fund and the Trustee

All expenses incurred by Sunsuper Pty Ltd (the Trustee) in relation to the Trustee and its directors, were paid by Sunsuper Pty Ltd and then charged to the Fund in the form of Trustee fees. All other expenses incurred by the Trustee in relation to administration of the Fund are paid by the Fund.

	2015	2014
	\$	\$
The following is a summary of transactions between the Fund and the Trustee which are included in the Fund's Statement of Changes in Net Assets:		
• The Fund paid fees to Sunsuper Pty Ltd for the trustee services provided for the year	1,281,512	1,269,798
• The Fund charged Sunsuper Pty Ltd for operating expenses. These charges were determined on the basis of the Trustee's direct share of expenses incurred by the Fund	340,213	123,584
• The Fund paid other expenses to Sunsuper Pty Ltd	455	99,534
• The Fund received superannuation contributions from Sunsuper Pty Ltd in relation to superannuation guarantee contributions and salary sacrifice contributions made in relation to Sunsuper Pty Ltd directors who are members of the Fund.		

The following balances are included in the Fund's Statement of Net Assets:

• Net receivable/(payable) due from/(to) Sunsuper Pty Ltd	4,824	39,996
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Transactions with key management personnel

Key management personnel of the Group, who are members of the Fund, contribute to the Fund on the same terms and conditions, and are entitled to the same benefits, as other members of the Fund.

There are no other transactions between the Group and key management personnel other than the compensation transactions disclosed in note 24(c).

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**NOTES TO THE FINANCIAL STATEMENTS
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24. RELATED PARTIES (Cont.)

(e) Related party transactions (Cont.)

Transactions between the Fund and its subsidiaries

	2015	2014
	\$	\$
<p>The following is a summary of transactions between the Fund and its subsidiaries which are included in the Fund's Statement of Changes in Net Assets:</p>		
<ul style="list-style-type: none"> • The Fund paid fees to Precision Administration Services Pty Ltd for the employer and member administration services provided for the year • The Fund paid other expenses to its subsidiaries. • The Fund charged its subsidiaries for office rental, salaries and other operating expenses. These charges were determined on the basis of the subsidiaries' direct share of expenses incurred by the Fund • The Fund charged interest on a loan to Sunsuper Financial Services Pty Ltd • The Fund made a net purchase of units in Sunsuper Pooled Superannuation Trust • The Fund made a net purchase (redemption) of units in Sunsuper Infrastructure Trust 3 • The Fund made a payment to Sunsuper Pooled Superannuation Trust to compensate for the tax liability on assessable contributions transferred from the Fund to the Trust • The Fund received superannuation contributions from Precision Administration Services Pty Ltd in relation to superannuation guarantee contributions, salary sacrifice contributions and member voluntary contributions made in relation to subsidiary employees who are members of the Fund. 	<p>89,636,205</p> <p>544,398</p> <p>3,001,835</p> <p>16,457</p> <p>825,707,000</p> <p>(5,900,000)</p> <p>378,300,000</p>	<p>88,978,415</p> <p>540,842</p> <p>2,205,068</p> <p>17,607</p> <p>391,493,000</p> <p>49,487,867</p> <p>345,000,000</p>

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24. RELATED PARTIES (Cont.)

(e) Related party transactions (Cont.)

Transactions between the Fund and its subsidiaries (Cont.)

	2015	2014
	\$	\$
The following balances are included in the Fund's Statement of Net Assets:		
• Net payables due to consolidated subsidiaries.	9,118,185	9,663,271
• Loan receivable from Sunsuper Financial Services Pty Ltd. The loan is included in investments in the Fund's financial statements	700,000	700,000
• Investments in subsidiaries. These investments represent the estimated fair value of the investments in the subsidiaries:		
▪ Controlled entities - Consolidated (refer Note 20)	47,563,000	37,738,000
▪ Controlled entities - Not consolidated (Refer Note 20)	7,332,212,216	5,166,822,256

All amounts advanced to or payable to related parties are unsecured and are subordinate to other liabilities.

The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

The above related party transactions were conducted on an arm's length commercial basis.

Transactions and balances between the Fund and its subsidiaries listed in Note 20 as "Controlled entities - Consolidated" were eliminated in the preparation of the consolidated financial statements of the Group.

Other related party transactions

For the year ended 30 June 2015, the Board of Directors of Sunsuper Pty Ltd has equal numbers of employer and employee representatives. According to the Constitution of the Company there are six shares on issue. Each share has attached to it the right to appoint one director. The shares in the Company, and therefore the right to appoint directors are as follows:

Chamber of Commerce & Industry Queensland	3
Queensland Council of Unions	2
The Australian Workers' Union of Employees, Queensland	1

The Group has entered into transactions with these bodies which include the receipt of superannuation contributions and other minor transactions such as membership subscriptions and seminar registrations. These transactions are conducted under normal terms and conditions.

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**NOTES TO THE FINANCIAL STATEMENTS
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24. RELATED PARTIES (Cont.)

(e) Related party transactions (Cont.)

Other related party transactions (Cont.)

In addition to the items referred to, below is a summary of the significant transactions that the Group and Trustee had with these related entities.

	2015	2014
	\$	\$
Payments for marketing and advertising services		
Chamber of Commerce & Industry Queensland	41,800	43,890
Queensland Council of Unions	44,141	34,480
The Australian Workers' Union of Employees, Queensland	24,790	14,031
Director fees paid to employer of director (included in compensation of key management personnel (refer note 23(c)))		
Queensland Council of Unions	190,358	175,047
The Australian Workers' Union of Employees, Queensland	59,210	53,072

Director fees paid to employer of director were paid by the Trustee, Sunsuper Pty Ltd.

In addition to the employer and union bodies referred to above, the Group has entered into transactions with other entities which share a common director or key management personnel with the Group. This includes the receipt of superannuation contributions from the other entities. These transactions are conducted under normal terms and conditions.

25. CONTINGENT LIABILITIES AND ASSETS

A contingent liability for \$565,237 (2014: \$140,000) exists in relation to a security deposit guarantee which is in place in relation to leased premises. There were no other contingent liabilities or assets as at the reporting date (2014: Nil).

26. SUBSEQUENT EVENTS

The Sunsuper constitution was amended by Board resolution in December 2014 to allow for independent directors to be appointed to the Sunsuper Pty Ltd Trustee Board. To be appointed as an independent director, all of the existing Employer Representative and Member Representative Directors must agree to the person's appointment and the person must meet the definition of an independent director under superannuation law. Three new Independent Directors were appointed after reporting date as follows:

Jenni Mack	(Appointed 1 July 2015)
Andrew Fraser	(Appointed 16 September 2015)
Michael Traill	(Appointed 16 September 2015)

Since 30 June 2015, there have been no other matters or circumstances that have significantly affected or may significantly affect the Group or Fund.