

# **CUBS SUPERANNUATION FUND**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019  
RSE: R1068832  
ABN: 90 120 177 925**

Prepared by:

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**CUBS Superannuation Fund  
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**CUBS Superannuation Fund**  
**Statement of Financial Position**  
**As at 30 June 2019**

	<i>Note</i>	2019 \$	2018 \$
<b>Assets</b>			
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	11(a)	10,025,389	11,708,788
<b>Receivables</b>			
Investment Income Receivable		636,068	1,298,840
GST Receivable		21,844	20,964
Other Receivables		128,433	87,456
<b>Investments</b>			
Hunter Credit Union - Cash		545,629	583,083
Hunter Credit Union - Fixed Interest		410,522	439,138
Qudos Bank Super Fixed Interest		7,955,692	8,182,296
Qudos Bank Super Cash Investment Pool		6,805,131	6,946,488
Defence Bank Super Cash Investment Pool		6,118,706	5,366,194
Defence Bank Super Fixed Interest		7,430,432	6,341,499
Vic Teachers Credit Union Cash Investment Pool		526,384	527,666
Vic Teachers Credit Union Fixed Interest		942,407	918,982
Beyond Bank Cash Investment Pool		323,328	371,895
Beyond Bank Fixed Interest		354,870	405,488
Units in managed investment schemes	5	31,702,981	28,274,222
Term Deposits		4,340,767	4,788,200
<b>Total assets</b>		<b>78,268,583</b>	<b>76,261,199</b>
<b>Liabilities</b>			
Operating expenses payable	8	117,839	104,904
Investments in transit		570,607	-
Current tax liability		38,712	167,308
Deferred tax liability	7(c)	285,111	329,416
<b>Total liabilities</b>		<b>1,012,269</b>	<b>601,628</b>
<b>Net assets available for member benefits</b>		<b>77,256,314</b>	<b>75,659,571</b>
<b>Member benefits</b>	9(a)	<b>76,794,505</b>	<b>75,284,024</b>
<b>Total net assets</b>		<b>461,809</b>	<b>375,547</b>
<b>Equity</b>			
Unallocated surplus		148,212	91,841
Operational Risk Financial Requirement Reserve	9(c)	313,597	283,706
<b>Total equity</b>		<b>461,809</b>	<b>375,547</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

**CUBS Superannuation Fund**  
**Income Statement**  
**For the year ended 30 June 2019**

	<i>Note</i>	2019	2018
		\$	\$
<b>Superannuation Activities</b>			
<b>Revenue</b>			
Interest revenue		943,452	888,158
Distributions and dividends		1,288,299	1,892,617
Other income		4,942	4,656
Net changes in fair value of investments	6	1,232,881	1,139,049
<b>Total revenue</b>		<u>3,469,574</u>	<u>3,924,480</u>
<b>Expenses</b>			
Investment expenses		(5,477)	(4,922)
Administration expenses		(238,164)	(215,329)
Other operating expenses		(290,896)	(175,262)
<b>Total expenses</b>		<u>(534,537)</u>	<u>(395,513)</u>
<b>Profit from operating activities</b>		<u>2,935,037</u>	<u>3,528,967</u>
Less: net benefits allocated to members' accounts		(3,031,834)	(3,246,947)
<b>(Loss)/profit before income tax</b>		<u>(96,797)</u>	<u>282,020</u>
Income tax expense	7(a)	(303,138)	(503,529)
<b>Loss after income tax</b>		<u>(399,935)</u>	<u>(221,509)</u>

The Income Statement should be read in conjunction with the accompanying notes.

**CUBS Superannuation Fund**  
**Statement of Changes in Member Benefits**  
**For the year ended 30 June 2019**

	<i>Note</i>	2019	2018
		\$	\$
<b>Opening balance of members benefits</b>		<b>75,284,024</b>	<b>73,270,153</b>
<b>Contributions:</b>			
Employer		2,196,429	2,010,452
Member		1,515,313	1,631,916
Transfers from other superannuation funds		9,290,333	9,955,481
Income tax on contributions	7(d)	(464,170)	(442,136)
<b>Net after tax contributions</b>		<b>12,537,905</b>	<b>13,155,713</b>
Benefit payments		(13,922,707)	(14,269,735)
Insurance premiums charged to members' accounts		(106,660)	(85,588)
Reserve transfers (from) members		(29,891)	(33,466)
Benefits allocated to members' accounts comprising:			
Net investment income		3,058,629	3,272,361
Administration fees		(26,795)	(25,414)
		<b>3,031,834</b>	<b>3,246,947</b>
		<b>(11,027,424)</b>	<b>(11,141,842)</b>
<b>Closing balance of member benefits</b>		<b>76,794,505</b>	<b>75,284,024</b>

The Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

**CUBS Superannuation Fund  
Statement of Changes in Reserves  
For the year ended 30 June 2019**

	<b>Operational Risk Financial Requirement Reserve</b>	<b>Unallocated Surplus</b>	<b>Total Equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening balance as at 1 July 2018</b>	<b>283,706</b>	<b>91,841</b>	<b>375,547</b>
Net transfers to reserves	29,891	456,306	486,197
Loss	-	(399,935)	(399,935)
<b>Closing balance as at 30 June 2019</b>	<b>313,597</b>	<b>148,212</b>	<b>461,809</b>
<b>Opening balance as at 1 July 2017</b>	<b>250,240</b>	<b>24,808</b>	<b>275,048</b>
Net transfers to reserves	33,466	288,542	322,008
Loss	-	(221,509)	(221,509)
<b>Closing balance as at 30 June 2018</b>	<b>283,706</b>	<b>91,841</b>	<b>375,547</b>

The Statement of Changes in Reserves should be read in conjunction with the accompanying notes.

**CUBS Superannuation Fund**  
**Statement of Cash Flows**  
**For the year ended 30 June 2019**

	<i>Note</i>	2019	2018
		\$	\$
<b>Cash flows from operating activities</b>			
Interest received		96,156	107,979
General administration expense		(240,192)	(214,455)
Investment expenses		(5,477)	(1,677)
Other expenses		(257,011)	(153,307)
Income tax paid		(497,881)	(280,532)
<b>Net cash outflows from operating activities</b>	<i>11(b)</i>	<u>(904,405)</u>	<u>(541,992)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		44,184,997	31,463,660
Payments for purchase of investments		(43,930,107)	(30,950,940)
<b>Net cash inflows from investing activities</b>		<u>254,890</u>	<u>512,720</u>
<b>Cash flows from financing activities</b>			
Employer contributions		1,883,033	2,010,452
Member contributions		1,515,313	1,631,916
Transfers from other funds		9,427,529	10,244,041
Benefits paid to members		(13,290,201)	(14,269,735)
Insurance premiums charged to members accounts		(105,388)	(85,082)
Income tax paid on contributions received		(464,170)	(442,136)
<b>Net cash outflows from financing activities</b>		<u>(1,033,884)</u>	<u>(910,544)</u>
Net decrease in cash and cash equivalents		(1,683,399)	(939,816)
Cash at the beginning of the year		11,708,788	12,648,604
<b>Cash at the end of the year</b>	<i>11(a)</i>	<u>10,025,389</u>	<u>11,708,788</u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

**CUBS Superannuation Fund**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

**1. Reporting entity**

CUBS Superannuation Fund (the "Fund") is a defined contribution superannuation fund domiciled in Australia. The address of the Fund's registered office is:

Level 9  
155 Queen Street  
MELBOURNE, VIC 3000

The Fund is constituted by a Trust Deed (formerly known as the Greater Rollover and Allocated Pension Fund) dated 18 June 1987 to provide superannuation benefits to members and their dependants.

The Trustee of the Fund during the reporting period was Equity Trustees Superannuation Limited (ABN 50 055 641 757, AFSL 229757, RSE L0001458). The registered office of the Trustee is Level 1, 575 Bourke Street, Melbourne VIC 3000.

The Custodian as at 30 June 2019 is Equity Trustees Limited (ABN 46 004 031 298, AFS Licence No. 240975, RSE Licence No. L0003094).

The Fund's administrator is Mainstream Superannuation Services Pty Ltd (the 'Administrator') (ABN 83 082 989 142) which is incorporated in Australia. The registered office of the Administrator is Level 1, 51-57 Pitt Street, Sydney NSW 2000.

The Asset Consultant to the Fund is the TAG Asset Consulting Group Pty Ltd (ABN 58 097 703 047) trading as Atchison Consultants.

The Promoter of the Fund is Mainstream Superannuation Services Pty Ltd (the 'Promoter') (ABN 83 082 989 142) which is incorporated in Australia.

**2. Basis of preparation**

**(a) Statement of compliance**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other applicable Australian Accounting Standards and the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

The financial statements were authorised for issue by the Board of the Trustee on the date shown on the Trustees Declaration attached to the financial statements.

**(b) Functional and presentation of currency**

The financial statements are presented in Australian dollars, which is the functional currency of the Fund.

**(c) Use of estimates and judgements**

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

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

It was concluded that judgements made by management in the application of Australian Accounting Standards did not have a significant effect on the financial statements.

**3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**(a) Financial assets and financial liabilities**

The Fund classifies non-derivative financial assets and financial liabilities at fair value through profit or loss.

The Fund initially recognises financial assets and liabilities on the trade date when the entity becomes a party to the contractual provisions of the instrument. The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.



**CUBS Superannuation Fund**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

**3. Significant Accounting Policies (continued)**

**(a) Financial assets and financial liabilities (continued)**

A financial asset and financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in the income statement as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest, dividend income or distribution income, are recognised in the income statement. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in the income statement.

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when and only when, the Fund currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**(i) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

Fair values have been determined as follows:

**Units in unlisted unit trusts and managed investment schemes**

Units in unlisted unit trusts and unlisted managed investment schemes are valued at the redemption price at reporting date quoted by the investment managers which are based on the net asset value (NAV) of the underlying investments. Unit values denominated in foreign currency are then translated to Australian dollars at the current exchange rates.

**(b) Cash and cash equivalents**

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

**(c) Receivables and payables**

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

**(d) Benefits payable**

Benefits payable comprises the entitlements of members who exited from the Fund prior to the year-end but had not been paid at that time. Benefits payable are settled within 30 days.

**(e) Revenue recognition**

***Interest income***

Interest income is recognised in the income statement as it accrues, using the effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transactions costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

***Distribution income***

Distributions from managed investment schemes and units in unit trusts are recognised in the income statement as at the date the unit value is quoted ex-distribution and if not received at reporting date, is reflected in the statement of financial position as a receivable at fair value.

***Changes in fair values***

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

**(f) Contributions revenue and transfer in**

Contributions revenue and transfers in are recognised in the statement of changes in member benefits when the control and the benefits from the revenue have transferred to the Fund and is recognised gross of any taxes.

**CUBS Superannuation Fund**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

**3. Significant accounting policies (continued)**

**(g) Income tax**

Income tax for the year comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in members' funds in which case it is recognised directly in statement of changes in member benefits.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Fund expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset and the net amount presented in the statement of financial position when and only when, the Fund currently has a legally enforceable right to offset the amounts and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority or either the same taxable entity or different taxable entities that intends either to settle them on a net basis.

Income tax has been provided in the current year at the rate of 15% as it is the expectation of the Trustee that the Fund will be treated as a complying superannuation fund. If the Fund is subsequently deemed to be a non-complying fund for the current year, then income tax will be payable at a rate of 45% on the Fund's taxable income.

The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by the Trustee and are properly payable by the Fund.

**4. New and amended standards adopted by the Fund**

AASB 9 *Financial Instruments* became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139.

To the extent that AASB 9 is applicable to the Fund, it has been applied retrospectively without the use of hindsight. The adoption did not result in a change to the classification or measurement of financial instruments, including from the application of the new expected credit loss impairment model, in either the current or comparative period as all financial assets and liabilities, with the exception of member liabilities and tax assets and liabilities, remain at fair value through profit or loss in accordance with AASB 1056.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2018 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Fund. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**CUBS Superannuation Fund**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

**5. Fair values of financial instruments**

	2019 \$	2018 \$
<i>Units in unlisted managed investment schemes</i>		
Vanguard High Growth Index Fund	<u>31,702,981</u>	<u>28,274,222</u>
	<u>31,702,981</u>	<u>28,274,222</u>

**Classification of financial instruments under the fair value hierarchy**

AASB 1056 requires investments to be measured at fair value. The following table shows financial instruments recorded at fair value, analysed between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs that are significant to the determination of fair value.

	Valued at quoted market price (Level 1)	2019 Valuation techniques - market observable inputs (Level 2)	Valuation techniques - Non-market observable inputs (Level 3)
Units in managed investment schemes	<u>-</u>	<u>31,702,981</u>	<u>-</u>
	<u>-</u>	<u>31,702,981</u>	<u>-</u>
	Valued at quoted market price (Level 1)	2018 Valuation techniques - market observable inputs (Level 2)	Valuation techniques - Non-market observable inputs (Level 3)
Units in managed investment schemes	<u>-</u>	<u>28,274,222</u>	<u>-</u>
	<u>-</u>	<u>28,274,222</u>	<u>-</u>

**6. Changes in fair values**

	2019 \$	2018 \$
<b>(a) Investments held at the end of the financial year</b>		
Units in managed investment schemes	<u>1,492,448</u>	<u>1,441,945</u>
	<u>1,492,448</u>	<u>1,441,945</u>
<b>(b) Investments realised during the financial year</b>		
Units in managed investment schemes	<u>(259,567)</u>	<u>(302,896)</u>
	<u>(259,567)</u>	<u>(302,896)</u>
<b>Total changes in fair value of investments</b>	<u>1,232,881</u>	<u>1,139,049</u>

**CUBS Superannuation Fund**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

**7. Income Tax Expense**

	2019 \$	2018 \$
<b>(a) Recognised in the income statement</b>		
<b>Current tax expense</b>		
Current year	<u>347,443</u>	53,287
	347,443	53,287
<b>Deferred tax expense</b>		
Movement in temporary differences	(44,305)	255,477
Prior year adjustment	-	<u>194,765</u>
<b>Total income tax expense</b>	<u>303,138</u>	<u>503,529</u>

**(b) Numerical reconciliation between tax expense and profit before income tax**

	2019 \$	2018 \$
Profit from operating activities	2,935,037	3,528,967
Income tax at the complying superannuation fund tax rate of 15%	440,256	529,345
Non assessable investment income	(137,118)	(220,581)
Prior year tax adjustment	-	<u>194,765</u>
<b>Income tax expense</b>	<u>303,138</u>	<u>503,529</u>

**(c) Deferred tax assets and liabilities**

**Recognised deferred tax assets and liabilities**

	Asset		Liability		Net Liability	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Unrealised gains in investments	-	-	(285,111)	(329,416)	(285,111)	(329,416)
	-	-	(285,111)	(329,416)	(285,111)	(329,416)

**Movement in temporary differences during the year**

	Opening Balance		Recognised in income/(expense)		Closing Balance	
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Unrealised gains in investments	(329,416)	(73,939)	44,305	(255,477)	(285,111)	(329,416)
	(329,416)	(73,939)	44,305	(255,477)	(285,111)	(329,416)

	2019 \$	2018 \$
<b>(d) Recognised in the statement of changes in member benefits</b>		
Contributions and transfers in recognised in the statement of changes in member benefits	<u>13,002,075</u>	13,597,849
	13,002,075	13,597,849
Income tax at the complying superannuation fund tax rate of 15%	1,950,311	2,039,677
Non assessable contributions	(1,495,542)	(1,590,795)
Other	9,401	<u>(6,746)</u>
<b>Total</b>	<u>464,170</u>	<u>442,136</u>

**CUBS Superannuation Fund**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

**8. Operating Expenses Payable**

	2019	2018
	\$	\$
Administration	17,472	19,500
Trustee	11,493	5,377
Expense recovery	49,774	48,487
Group life insurance premium payable	8,736	7,464
Marketing	18,473	8,251
Promoter	2,484	2,446
Custodian	3,333	4,024
PAYG Withholding	6,074	2,681
GST Payable	-	6,674
	<u>117,839</u>	<u>104,904</u>

Note: Please see Note 12 Related Parties for further details on expense recovery.

**9. Member liabilities and funding arrangements**

**(a) Member liabilities**

Obligations relating to member entitlements are recognised as member liabilities. Defined contributions member liabilities are measured as the amount of member balances as at the reporting date.

Defined contribution members bear the investment risk relating to the underlying assets of the Fund.

Unit prices are updated on a daily basis for movements in investment markets.

	2019	2018
	\$	\$
Member benefits	76,794,505	75,284,024
Unallocated amount	148,212	91,841
Reserves	313,597	283,706
Net assets available for member benefits	<u>77,256,314</u>	<u>75,659,571</u>

**(b) Funding arrangements**

Members' contributions were made in accordance with the requirements of the Trust Deed pursuant to applications contained in the Product Disclosure Statement on issue by the Trustee during the year.

**(c) Reserves**

Under APRA Prudential Standards SPS 114: Operational Risk Financial Requirements (ORFR), the Trustee must establish and maintain an operational risk financial requirement reserve. The Trustee has set a reserve of 0.25% (2018: 0.30%) of net assets. The reserve has met the target amount.

	2019	2018
	\$	\$
Operational Risk Financial Requirement Reserve	<u>313,597</u>	<u>283,706</u>

**10. Auditor's Remuneration**

	2019	2018
	\$	\$
<b>Audit services paid or payable</b>		
<i>UHY Haines Norton:</i>		
- Audit and review of financial statements and APRA returns	34,320	33,660
- Tax compliance services	7,700	2,200
<i>Deloitte Australia</i>		
- Audit of Risk Management Strategy & Compliance with Prudential Standards	2,640	2,750
	<u>44,660</u>	<u>38,610</u>

**CUBS Superannuation Fund**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

**11. Notes to the statement of cash flows**

**(a) Reconciliation of cash and cash equivalents**

For the purpose of the statement of cash flows, cash includes cash on hand and cash at bank. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2019 \$	2018 \$
Cash and cash equivalents	<u>10,025,389</u>	<u>11,708,788</u>

**(b) Reconciliation of cash flows from operating activities**

Loss after income tax	(399,935)	(221,509)
Adjustments for:		
Increase in assets measured at fair value	(4,601,855)	(3,961,101)
Allocation to members accounts	3,031,834	3,246,947
Decrease in deferred tax assets	-	36,780
Increase in other receivables	(6,591)	(16,668)
Decrease in investment income receivable	662,772	149,256
(Decrease)/Increase in tax liabilities	(172,901)	186,216
Increase in operating expenses payable and investments in transit	582,271	38,087
<b>Net cash used in operating activities</b>	<u>(904,405)</u>	<u>(541,992)</u>

**12. Related Parties**

**(a) Fund Administrator, Promoter and Sub-Promoters of the Fund**

The Fund Administrator receives fees in accordance with the provisions of an Administration Agreement with the Trustee. Total administration fees paid to Mainstream Superannuation Services Pty Ltd were \$238,164 (2018: \$215,329).

The Promoter is responsible for the general marketing and sales functions for the Fund and is paid a fee agreed with the Trustee based on a percentage of the assets of the Fund on an annual basis. Total promoter fees paid to Mainstream Superannuation Services Pty Ltd were \$29,184 (2018: \$16,821).

The Promoter also pays some of the running costs of the Fund, including audit fees, custody fees, legal fees and asset consulting fees. These costs are subsequently reimbursed by CUBS fund members via expense recovery and/or recovered from the sub-promoters. The expense recovery fees during the year 2019 were \$115,225 (2018: \$64,615) out of which \$49,774 is shown as a payable under Note 8 – Operating Expenses Payable.

The Sub-Promoters of the Fund are QUDOS Mutual Limited, Defence Bank Limited, Victoria Teachers Limited (trading as Bank First), Hunter United Employees' Credit Union Ltd, Beyond Bank Australia and Greater Bank Limited.

**(b) Trustee and key management personnel**

The Trustee of the Fund during the reporting period was Equity Trustees Superannuation Limited (ABN 50 055 641 757, AFSL 229757, RSE L0001458).

Key management personnel include persons who were directors of the Trustee at any time during the reporting period and the issue date of the financial statements as follows:

Mr Michael O'Brien (Managing Director)

Ms Catherine Robson (Non-Executive Director)

Mr Anthony Jude Lally (Non-Executive Director and Chairman)

Mr Ellis Varejes (Non-Executive Director)

Mr Mark Blair (Executive Director)

Ms Susan Granville Everingham (Non-Executive Director, effective from 15 February 2019)

Mr Paul Douglas Rogan (Non-Executive Director, effective from 27 August 2019)

None of the directors were members of the Fund.

**CUBS Superannuation Fund**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

**12. Related Parties (continued)**

***Other transactions with key management personnel of Equity Trustees Superannuation Limited***

Apart from those details disclosed in this note, no key management personnel of Equity Trustees Superannuation Limited have entered into a contract for services with the Fund since the end of the previous financial year and there were no contracts involving Equity Trustees Superannuation Limited at year end.

***Equity Trustees Superannuation Limited as Trustee***

The Trustee's fee is 0.11% (inclusive of GST) per annum of the market value of the Fund calculated and payable monthly in arrears. The Trustee expenses for trustee services in 2019 were \$80,210 (2018: \$79,731) out of which \$80,210 was paid by CUBS Superannuation Fund and \$nil was paid by the Greater Bank Limited.

At balance date 30 June 2019 there was \$11,493 payable to the Trustee by the Fund (2018: \$5,377).

***Equity Trustees Limited as Custodian***

The custodian of the Fund is Equity Trustees Limited. The custody fee expense during the financial year 2019 was \$40,000 (2018: \$40,000) which was paid by the Fund. The amount recovered by the Promotor was \$5,477 which is disclosed in the Income Statement under 'Investment expenses' (2018: \$4,922).

**(c) Other related party transactions**

All Trustee transactions with related parties are conducted on normal commercial terms and conditions, or pursuant to normal membership terms and conditions.

**13. Financial Risk Management**

**Overview**

This note presents information about the Fund's exposure to risk and the Fund's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Trustee has overall responsibility for the establishment and oversight of the Fund's risk management strategy. The risk management strategy forms part of the Trustee's Risk Management Framework, and is designed to identify and analyse the risks faced by the Fund, including those risks managed by fund managers and administrators, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Trustee oversees how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

The Fund's assets principally consist of units in collective investment vehicles such as unitised investments; cash and fixed interest. The Trustee has determined this type of investment is appropriate for the Fund and is in accordance with the Fund's published investment strategy.

The Fund's investing activities expose it to the following risks:

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other market price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

***Currency risk***

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund's exposure to currency risk was limited to the Fund's investment in the Vanguard High Growth Index Fund. The Fund Manager may use derivatives to manage actual and anticipated currency risk. Derivatives are not used for speculative purposes.

***Sensitivity analysis - currency risk***

There is no direct currency risk in this Fund. Sensitivity analysis is not used to measure currency risk.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Fund's financial instruments are interest-bearing with cash and cash equivalents being directly subject to interest rate risk. Any excess cash and cash equivalents above immediate working capital requirements are invested in accordance with the member's investment strategy. As a result, the Fund is subject to exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

**CUBS Superannuation Fund**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

**13. Financial Risk Management (continued)**

*Interest rate risk (continued)*

At the reporting date the interest rate profile of the Fund's interest-bearing financial instruments was:

	2019 \$	2018 \$
<i>Interest bearing instruments</i>		
Cash and cash equivalents	<u>10,025,389</u>	<u>11,708,788</u>

*Sensitivity analysis - interest rate risk*

An increase/decrease of 100 basis points in interest rates as at the reporting date would have increased/ (decreased) the change for the year in net assets attributable to pay benefits and profit or loss from operating activities by the amounts shown below:

<i>Effect</i>	Carrying amount \$	Change for the year in net assets available to pay member benefits		Net assets available to pay member benefits	
		-100bps \$	+100bps \$	-100bps \$	+100bps \$
<b>30 June 2019</b>					
Cash & cash equivalents	<u>45,779,257</u>	<u>(457,793)</u>	<u>457,793</u>	<u>45,321,464</u>	<u>46,237,050</u>
<b>30 June 2018</b>					
Cash & cash equivalents	<u>46,579,717</u>	<u>(465,797)</u>	<u>465,797</u>	<u>46,113,920</u>	<u>47,045,514</u>

**Other market price risk**

Other market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As all of the Fund's financial instruments are carried at net market value with changes recognised in the Operating Statement, therefore all changes in market conditions affecting net market value will be recognised in the Operating Statement. Investments of the Fund (other than cash held for operating purposes) principally consist of units in Vanguard High Growth Index Fund. The Fund's exposure to other market price risk is therefore limited to the market price movement of these investments.

*Sensitivity analysis - other market price risk*

A probable increase of 10% in the market price against the Fund's investments held at 30 June would have increased the change for the year in net assets available to pay benefits and net assets available to pay benefits by the amounts shown below. The analysis is undertaken on the same basis as 2018, however it is not guaranteed. The Trustee recommends that members' obtain independent investment advice before making their investment decision.

<i>Effect</i>	%	Carrying amount \$	Change for the year in net assets available to pay member benefits		Net assets available to pay member benefits	
			Decrease \$	Increase \$	\$	\$
<b>30 June 2019</b>						
Investments held	10	<u>31,702,981</u>	<u>(3,170,298)</u>	<u>3,170,298</u>	<u>28,532,683</u>	<u>34,873,279</u>
<b>30 June 2018</b>						
Investments held	10	<u>28,274,222</u>	<u>(2,827,422)</u>	<u>2,827,422</u>	<u>25,446,800</u>	<u>31,101,644</u>



**CUBS Superannuation Fund**  
**Notes to the financial statements**  
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**13. Financial Risk Management (continued)**

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the fund. The Trustee of the fund 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. The Fund's exposure and the credit ratings of its counterparties are continuously monitored by the trustee.

Credit risk arising on investments is mitigated by investing primarily in rated instruments or instruments issued by rated counterparties of credit ratings of at least 'AA' or better as determined by Standard and Poor's. Credit risk associated with contributions receivable and other receivables is considered minimal.

The Fund does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The table below shows the maximum exposure to credit risk at the reporting date for each of the counterparties. It is the opinion of the Trustee that the carrying amount of these financial assets represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk to counterparties.

The Fund's financial assets exposed to credit risk amounted to the following:

<i>Effect</i>	2019 \$	2018 \$
CUBS Superannuation Fund - Cash	2,278,567	2,476,544
Greater Bank - Cash	7,746,822	9,232,244
Hunter Credit Union Super Cash Investment Pool	545,629	583,083
Hunter Credit Union Super Fixed Interest	410,522	439,138
Qudos Bank Super Cash Investment Pool	6,805,131	6,946,488
Qudos Bank Super Fixed Interest	7,955,692	8,182,296
Defence Bank Super Cash Investment Pool	6,118,706	5,366,194
Defence Bank Super Fixed Interest	7,430,432	6,341,499
Vic Teachers Mutual Bank Super Cash Investment Pool	526,384	527,666
Vic Teachers Mutual Bank Super Fixed Interest	942,407	918,982
Beyond Bank Super Cash Investment Pool	323,328	371,895
Beyond Bank Super Fixed Interest	354,870	405,488
Term Deposits	4,340,767	4,788,200
Units in managed investment schemes	31,702,981	28,274,222
Investment income receivables	128,433	87,456
Other receivables	636,068	1,298,840
	<b>78,246,739</b>	<b>76,240,235</b>

**Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's Trust Deed and Product Disclosure Statement provides for a thirty day (30) waiting period for the withdrawal of benefits and it is therefore exposed to the liquidity risk of meeting members withdrawals at any time.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

<i>Effect</i>	Carrying amount \$	Contractual cash flows \$	Less than 1 month \$	Greater than 1 month \$	30 days at call \$
<b>30 June 2019</b>					
Operating expenses payable	117,839	117,839	117,839	-	-
Investments in transit	570,607	570,607	570,607	-	-
Current tax liabilities	38,712	38,712	-	38,712	-
Member liabilities	76,794,505	76,794,505	-	-	76,794,505
	<b>77,521,663</b>	<b>77,521,663</b>	<b>688,446</b>	<b>38,712</b>	<b>76,794,505</b>
<b>30 June 2018</b>					
Operating expenses payable	104,904	104,904	104,904	-	-
Current tax liabilities	167,308	167,308	-	167,308	-
Member liabilities	75,284,024	75,284,024	-	-	75,284,024
	<b>75,556,236</b>	<b>75,556,236</b>	<b>104,904</b>	<b>167,308</b>	<b>75,284,024</b>

Vested benefits (refer note 9) have been included in the 30 days at call column, as this is the maximum amount of time that members are allowed to wait to receive their benefit.

**14. Significant events after balance date**

There have been no significant events since the end of the reporting period and the date of this report that would have an impact on the financial position of the Fund or on the results of its operations, or the state of affairs of the Fund in future years.

## CUBS Superannuation Fund Trustee's Declaration

In the opinion of the Directors of Equity Trustees Superannuation Limited (ABN 50 055 641 757, RSE Licence No. L0001458), the Trustee of the CUBS Superannuation Fund:

- (i) The accompanying financial statements of the CUBS Superannuation Fund are properly drawn up to present fairly the Financial Position of the Fund as at 30 June 2019 and the results of its operations and cash flow for the year ended; and
- (ii) The operation of the CUBS Superannuation Fund has been carried out in accordance with its Trust Deed , as amended and in compliance with;
  - The requirements of the Supervision Industry (Supervision) Act 1993 and Regulations;
  - applicable sections of the *Corporations Act 2001* and Regulations;
  - the requirements under Section 13 of the Financial Sector (Collection of Data) Act 2001; and
- (iii) The accompanying financial statements have been drawn up in accordance with Accounting Standards and the Trust Deed as amended.

Signed in accordance with a resolution of the directors of the Trustee Company, Equity Trustees Superannuation Limited ABN 50 055 641 757.



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Signed this 24<sup>th</sup> day of September 2019.