



**CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND**  
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# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Statement of Financial Position

As at 30 June 2017

		CONSOLIDATED		FUND	
	Note	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
<b>Assets</b>					
Cash at bank	16	48,610	47,350	39,346	37,044
Receivables	5	12,357	13,728	3,044	2,110
Financial assets	4	41,514,977	35,622,452	40,096,381	34,202,561
Intangibles	6	12,192	10,315	12,192	10,315
Property, plant and equipment	7	2,857	2,692	2,843	2,281
Deferred tax asset	13(d)	2,911	2,579	-	-
Income tax assets	13(e)	862	11,447	-	16,128
<b>Total assets</b>		<b>41,594,766</b>	<b>35,710,563</b>	<b>40,153,806</b>	<b>34,270,439</b>
<b>Liabilities</b>					
Payables and other liabilities	8	(160,374)	(146,400)	(94,816)	(83,100)
Income tax payable	13(e)	(93,740)	-	(92,407)	-
Financial liabilities	4	(60,047)	(130,011)	(54,556)	(116,131)
Borrowings	12	(1,368,578)	(1,358,144)	-	-
Deferred tax liabilities	13(d)	(696,415)	(501,289)	(696,415)	(496,489)
<b>Total liabilities excluding member benefits</b>		<b>(2,379,154)</b>	<b>(2,135,844)</b>	<b>(938,194)</b>	<b>(695,720)</b>
<b>Net assets available for member benefits</b>	3	<b>39,215,612</b>	<b>33,574,719</b>	<b>39,215,612</b>	<b>33,574,719</b>
<b>Member Liabilities</b>					
Allocated to members		(38,900,148)	(33,349,060)	(38,900,148)	(33,349,060)
Unallocated to members		(4,330)	(1,719)	(4,330)	(1,719)
<b>Total member liabilities</b>	3	<b>(38,904,478)</b>	<b>(33,350,779)</b>	<b>(38,904,478)</b>	<b>(33,350,779)</b>
<b>Net assets</b>		<b>311,134</b>	<b>223,940</b>	<b>311,134</b>	<b>223,940</b>
<b>Equity</b>					
General reserve		(77,888)	(84,368)	(77,888)	(84,368)
Insurance reserve		(123,442)	(55,622)	(123,442)	(55,622)
Operational risk reserve		(109,804)	(83,950)	(109,804)	(83,950)
<b>Total equity</b>		<b>(311,134)</b>	<b>(223,940)</b>	<b>(311,134)</b>	<b>(223,940)</b>

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

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Income Statement

For the year ended 30 June 2017

		CONSOLIDATED		FUND	
	Note	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
<b>Superannuation activities</b>					
Interest revenue		140,195	127,326	139,681	127,047
Distribution and dividend revenue		1,212,544	1,339,292	1,477,465	1,411,991
Changes in fair value of financial instruments	9	2,765,478	402,154	2,772,476	425,656
Other investment income		216,496	60,231	22,332	19,620
Property rentals		190,042	148,260	-	-
Other income		29,384	5,193	29,384	5,193
<b>Total superannuation activities income</b>		<b>4,554,139</b>	<b>2,082,456</b>	<b>4,441,338</b>	<b>1,989,507</b>
Investment expenses	10	(212,900)	(153,245)	(145,586)	(110,014)
Administration and operating expenses	14	(141,362)	(129,695)	(141,362)	(129,695)
Borrowing costs		(41,116)	(45,096)	-	-
<b>Total expenses</b>		<b>(395,378)</b>	<b>(328,036)</b>	<b>(286,948)</b>	<b>(239,709)</b>
<b>Result from superannuation activities before income tax expense/(benefit)</b>		<b>4,158,761</b>	<b>1,754,420</b>	<b>4,154,390</b>	<b>1,749,798</b>
Income tax expense/(benefit)	13(a)	189,949	(30,156)	185,578	(34,778)
<b>Result from superannuation activities after income tax expense/(benefit)</b>		<b>3,968,812</b>	<b>1,784,576</b>	<b>3,968,812</b>	<b>1,784,576</b>
Less: Net benefits allocated to members' accounts		(3,877,329)	(1,651,737)	(3,877,329)	(1,651,737)
<b>Operating result after income tax</b>		<b>91,483</b>	<b>132,839</b>	<b>91,483</b>	<b>132,839</b>

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

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Statement of Changes in Member Benefits

For the year ended 30 June 2017

		CONSOLIDATED		FUND	
	Note	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
<b>Opening balance of member benefits</b>		<b>33,350,779</b>	<b>30,654,779</b>	<b>33,350,779</b>	<b>30,654,779</b>
Contributions received from:					
Employers		2,604,711	2,264,552	2,604,711	2,264,552
Members		469,427	280,157	469,427	280,157
Transfer from other superannuation plans		997,321	675,114	997,321	675,114
Income tax on contributions	13(c)	(384,897)	(343,478)	(384,897)	(343,478)
<b>Net after tax contributions</b>		<b>3,686,562</b>	<b>2,876,345</b>	<b>3,686,562</b>	<b>2,876,345</b>
Benefits paid to members/beneficiaries		(1,870,862)	(1,686,638)	(1,870,862)	(1,686,638)
Insurance premiums charged to members' accounts		(371,118)	(349,490)	(371,118)	(349,490)
Death and disability insurance benefits credited to members' accounts		231,788	204,046	231,788	204,046
Benefits allocated to members' accounts, comprising:					
Net investment income		3,937,921	1,709,596	3,937,921	1,709,596
Administration fees		(60,592)	(57,859)	(60,592)	(57,859)
<b>Closing balance of member benefits</b>		<b>38,904,478</b>	<b>33,350,779</b>	<b>38,904,478</b>	<b>33,350,779</b>

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

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Statement of Changes in Reserves

For the year ended 30 June 2017

### CONSOLIDATED

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2016	84,368	55,622	83,950	223,940
Net transfers to/from reserves	(28,627)	-	24,338	(4,289)
Net allocations to/from Income Statement	22,147	67,820	1,516	91,483
Closing balance as at 30 June 2017	<u>77,888</u>	<u>123,442</u>	<u>109,804</u>	<u>311,134</u>

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2015	19,364	14,088	57,649	91,101
Net transfers to/from reserves	(25,177)	-	25,177	-
Net allocations to/from Income Statement	90,181	41,534	1,124	132,839
Closing balance as at 30 June 2016	<u>84,368</u>	<u>55,622</u>	<u>83,950</u>	<u>223,940</u>

### FUND

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2016	84,368	55,622	83,950	223,940
Net transfers to/from reserves	(28,627)	-	24,338	(4,289)
Net allocations to/from Income Statement	22,147	67,820	1,516	91,483
Closing balance as at 30 June 2017	<u>77,888</u>	<u>123,442</u>	<u>109,804</u>	<u>311,134</u>

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2015	19,364	14,088	57,649	91,101
Net transfers to/from reserves	(25,177)	-	25,177	-
Net allocations to/from Income Statement	90,181	41,534	1,124	132,839
Closing balance as at 30 June 2016	<u>84,368</u>	<u>55,622</u>	<u>83,950</u>	<u>223,940</u>

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

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Statement of Cash Flows

For the year ended 30 June 2017

		CONSOLIDATED		FUND	
	Note	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
<b>Cash flows from operating activities</b>					
Interest received		1,133	1,150	619	959
Insurance proceeds		231,788	204,046	231,788	204,046
Other general administration expenses		(120,484)	(117,878)	(132,825)	(117,878)
Borrowing costs		(41,116)	(45,096)	-	-
Insurance premiums		(341,431)	(340,222)	(341,431)	(340,222)
Income tax paid		94,780	(10,518)	108,493	25,408
<b>Net cash inflows from operating activities</b>	16	<b>(175,330)</b>	<b>(308,518)</b>	<b>(133,356)</b>	<b>(227,687)</b>
<b>Cash flows from investing activities</b>					
Purchase of investments		(11,182,193)	(9,500,892)	(11,222,728)	(9,455,507)
Proceeds from sale of investments		9,536,962	8,613,585	9,536,962	8,481,171
Sale/(Purchase) of fixed assets		(3,980)	(7,611)	(4,377)	(7,794)
<b>Net cash outflows from investing activities</b>		<b>(1,649,211)</b>	<b>(894,918)</b>	<b>(1,690,143)</b>	<b>(982,130)</b>
<b>Cash flows from financing activities</b>					
Employer contributions		2,600,422	2,481,268	2,600,422	2,481,268
Member contributions		469,427	280,157	469,427	280,157
Transfers from other superannuation plans received		997,321	675,114	997,321	675,114
Benefits paid to members		(1,870,862)	(1,786,094)	(1,870,862)	(1,786,094)
Income tax paid on contributions received		(370,507)	(441,522)	(370,507)	(441,522)
<b>Net cash inflows from financing activities</b>		<b>1,825,801</b>	<b>1,208,923</b>	<b>1,825,801</b>	<b>1,208,923</b>
<b>Net increase in cash</b>		<b>1,260</b>	<b>5,487</b>	<b>2,302</b>	<b>(894)</b>
<b>Cash at the beginning of the financial period</b>		<b>47,350</b>	<b>41,863</b>	<b>37,044</b>	<b>37,938</b>
<b>Cash at the end of the financial period</b>	16	<b>48,610</b>	<b>47,350</b>	<b>39,346</b>	<b>37,044</b>

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

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 30 June 2017

### 1. Operation of the Fund

The Construction and Building Union Superannuation Fund (Fund) is a superannuation fund domiciled in Australia. The address of the Fund's registered office is Level 28, 2 Lonsdale Street, Melbourne, Victoria, Australia.

The Cbus Group (Group) Annual Financial Report comprises the Fund and its controlled entities (financial statements), as referred to in Note 18. The Group is primarily involved in providing retirement benefits to members.

The Fund is constituted by a Trust Deed dated 18 April 1984, as amended, to provide superannuation benefits to its members.

The Trustee of the Fund is United Super Pty Ltd (Trustee).

### 2. Summary of significant accounting policies

#### (a) Basis of preparation

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, the 'Superannuation Industry (Supervision) Act 1993 and regulations and the provisions of the Trust Deed.

The financial statements were approved by the Board of Directors of the trustee on 12th September 2017.

#### (b) Adoption of AASB 1056 accounting standard

AASB 1056 *Superannuation Entities* (AASB 1056) is applicable for annual reporting periods beginning on or after 1 July 2016.

The adoption of AASB 1056 has resulted in:

- Changes to the presentation and format of the financial statements
- Changes to the measurement of assets and liabilities from 'net market value' to 'fair value', excluding member liabilities, tax assets and liabilities and insurance assets and liabilities
- Additional disclosure requirements for assets and liabilities held at fair value as required by AASB 13 *Fair Value Measurement*
- Member benefits recognised as liabilities rather than equity
- Contributions, rollovers and other inward transfers and benefits paid to members are not in the nature of income or expenses, and are presented in the Statement of Changes in Member Benefits.

The Fund has applied the new accounting standard retrospectively from the start of the comparative period. The adoption of AASB 1056 had the following impact on the Statement of Financial Position at the transition date of 1 July 2016 for the year ended 30 June 2016:

	As previously reported as at 30 June 2016 \$'000	Transition Adjustment \$'000	Restated total as at 30 June 2016 \$'000
<b>Statement of Financial Position</b>			
<b>Financial assets</b>			
Change in measurement from net market value to fair value:			
Cash	3,857,802	-	3,857,802
Credit	2,150,211	666	2,150,877
Fixed interest securities	1,711,381	791	1,712,172
Australian equities	8,645,075	9,977	8,655,052
International equities	7,216,350	6,180	7,222,530
Alternative assets	6,730,870	3,646	6,734,516
Derivative Assets	227,513	-	227,513
Investment properties	3,610,608	31,491	3,642,099
<b>Total financial assets</b>	<b>34,149,810</b>	<b>52,751</b>	<b>34,202,561</b>
<b>Receivables</b>			
Derecognition of contributions receivable	204,007	(204,007)	-
<b>Payables</b>			
Derecognition of benefits payable	(43,168)	43,168	-
Derecognition of death and disablement benefits payable	(155,409)	72,309	(83,100)
Derecognition of deferred tax liability on contributions receivable	(527,089)	30,600	(496,489)



## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

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

### (b) Adoption of AASB 1056 (continued)

	As previously reported as at 30 June 2016 \$'000	Transition Adjustment \$'000	Restated total as at 30 June 2016 \$'000
<b>Member benefits</b>			
Member benefits recognised as liabilities rather than equity:			
Member liabilities	-	(33,350,779)	(33,350,779)
<b>Equity</b>			
Member benefits recognised as liabilities rather than equity:			
Member liabilities	(33,408,709)	33,408,709	-
General reserve	(31,617)	(52,751)	(84,368)

The adoption of AASB 1056 had the following impact on the Income Statement at the transition date of 1 July 2016 for the year ended 30 June 2016:

	As previously reported as at 30 June 2016 \$'000	Transition Adjustment \$'000	Restated total as at 30 June 2016 \$'000
<b>Income Statement</b>			
Profit before income tax previously reported	4,975,432	-	4,975,432
Change in measurement from net market value to fair value:			
Changes in assets measured at fair value	-	52,751	52,751
Contributions, rollovers and other inward transfers and benefits paid to members are transferred to the Statement of Changes in Member Benefits:			
Employer contributions	-	(2,468,559)	(2,468,559)
Member contributions	-	(252,923)	(252,923)
Transfers from other superannuation funds	-	(675,114)	(675,114)
Government co-contributions	-	(27,234)	(27,234)
Insurance premiums	-	349,491	349,491
Death and disability benefits	-	(204,046)	(204,046)
<b>Profit from operating activities</b>	<b>4,975,432</b>	<b>(3,225,634)</b>	<b>1,749,798</b>
Benefits allocated to members accounts	-	(1,651,737)	(1,651,737)
<b>Operating result before income tax</b>	<b>4,975,432</b>	<b>(4,877,371)</b>	<b>98,061</b>
Income tax expense/(benefit)	339,299	-	339,299
Income tax on contributions transferred to the Statement of Changes in Member Benefits	-	(374,077)	(374,077)
	<b>339,299</b>	<b>(374,077)</b>	<b>(34,778)</b>
<b>Operating result after income tax</b>	<b>4,636,133</b>	<b>(4,503,294)</b>	<b>132,839</b>

### (c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

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

AASB 9 addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. AASB 9 introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The Trustee does not expect this to have a significant impact on the Fund's financial instruments as they are carried at fair value through profit and loss.

The Fund has not yet decided when to adopt AASB 9.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

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

### *Other Significant Accounting Policies*

#### **(d) Consolidation**

##### *(a) Subsidiaries*

Subsidiaries are entities controlled by the Group (see Note 18). Control exists when the Group has the power directly, or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is achieved until the date that control ceases during the reporting year. Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of asset impairment. The accounting policies of subsidiaries have been changed where necessary to align them with policies adopted by the Group.

Investments in subsidiaries are carried at fair value in the Group's financial statements.

##### *(b) Joint ventures*

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

##### *Jointly controlled entities*

In the consolidated financial statements, investments in jointly controlled entities, including partnerships, are accounted for at their fair value. Investments in joint venture entities are carried at the fair value in the Fund's financial statements.

Movement in the Group's share of the investment in the controlled entities is recognised in the consolidated Income Statement from the date joint control commenced until the date joint control ceases during the reporting year.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the asset's impairment.

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

##### *(a) Classification*

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

##### *Financial assets and liabilities held for trading*

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Fund do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Fund.

##### *Financial instruments designated at fair value through profit or loss upon initial recognition*

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category short term receivables.

##### *Other financial liabilities*

Other financial liabilities includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

##### *(b) Recognition*

The Fund recognises a financial asset or financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, ie., the date that the Fund commits to purchase or sell the asset.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

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

### (e) Financial assets and liabilities (continued)

#### (c) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

#### (d) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in the Income Statement.

Loans and receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the Income Statement, unless specified otherwise.

#### (e) Subsequent measurement

After initial measurement, the Fund measures investments and derivatives at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as changes in fair value of financial instruments in the Income Statement. Interest earned is recorded in 'Interest revenue' according to the terms of the contract. Dividend revenue is recorded in 'Distribution and dividend revenue'.

### (f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy (refer to Note 20).

### (g) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment). The amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values were determined using the capitalisation of net income and the discounted cash flow methods and also having regard to recent market transactions for similar properties in the same location as the Group's investment property. The valuation dates of property investments approximate to 30 June each year.

## **CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND**

### **Notes to the Financial Statements**

**For the year ended 30 June 2017**

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

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

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

### **(i) Receivables and payables**

Receivables are carried at nominal amounts due, which approximate fair value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is objective evidence that the debt will not be collected. Objective evidence may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Payables are carried at nominal amounts which are approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled on 30 day terms.

### **(j) Intangibles**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits are capitalised as intangible assets in accordance with the Fund's asset policy. Amortisation of complete IT development and software is used as a proxy for fair value assessment at the reporting date calculated over the asset's useful life ranging from 2 to 5 years.

Costs associated with IT development and software are recorded as WIP until completion.

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

Plant and equipment, fixtures and fittings and leasehold improvements are measured based on directors' valuations at fair value. A gain or loss arising from a change in fair value is recognised in the Income Statement.

Motor Vehicles and Office Equipment are included in the Statement of Financial Position at fair value as at reporting date and movements in the fair value of these assets are recognised in the Income Statement for the periods in which they occur.

### **(l) Revenue recognition**

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

#### *Changes in fair value*

Changes in the fair value of investments and derivatives are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the Income Statement.

#### *Interest*

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and is recognised in the Income Statement.

#### *Distributions and dividends*

Distributions and dividends revenue is recognised when the Fund's right to receive payment is established. Revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately as tax expense in the Income Statement.

#### *Property rental income*

Property rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of total rental income, over the term of the lease.

## **CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND**

### **Notes to the Financial Statements**

**For the year ended 30 June 2017**

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

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

The Fund is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Act 1997. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

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

Deferred tax liabilities are recognised for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

### **(n) Goods and services tax (GST)**

The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### **(o) Foreign currency**

The functional and presentation currency of the Fund is Australian Dollars, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions

Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, are recognised in the Income Statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

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

### (p) Member liabilities

Member liabilities are measured at the amount of accrued benefits. Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

### (q) Reserves

The Fund maintains three reserves, for the purposes described below:

- An Operational Risk Reserve (ORR) to provide protection to the Fund if a loss is incurred from an operational risk event. The use of the ORR is governed by requirements established by the Australian Prudential Regulatory Authority, under Prudential Standard SPS 114 *Operational Risk Financial Requirement*. The current ORR represents approximately 0.28% (2016: 0.25%) of the net assets of the Fund. The Trustee intends to maintain this reserve at 0.28% of net assets in line with its internal policy
- A General Reserve to cover unexpected expenses of the Fund and to meet any other expenses which the Trustee deems ought to be met from the General Reserve, rather than directly from member accounts. The long-term aim is to hold a General Reserve within a range of 0.05%-0.25% (2016: 0.05%-0.25%) of the Fund net assets
- An Insurance Reserve to account for insurance related revenue and expenditure of the Fund. It also retains capital to manage the Partnership Sharing Model in place with the Funds insurance provider (TAL). The Insurance Reserve target level is 20% of the current base insurance premium.

### (r) Significant accounting judgements and estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

#### *Fair Value of Investments*

When the fair values of the investments recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the a discounted cash flow model (DCF model). The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of these investments.

### (s) Rounding of amounts

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

## 3. Member liabilities

Member account balances are determined by crediting rates that are based on the underlying investment movements.

Members bear the investment risk relating to the underlying assets and crediting rates used to measure the member liabilities. Crediting rates are updated weekly.

At 30 June 2017 \$4,330,000 (2016: \$1,719,000) has not been allocated to members' at balance date. The amount not yet allocated to members' accounts consists of contributions received by the Fund that have not been able to be allocated to members' as at balance date and insurance claims payable which have not yet been paid from members accounts.

Refer to Note 20 for the Fund's management of the investment risks.

	Jun-17 \$'000	Jun-16 \$'000
<b>Members benefits</b>		
Allocated to members	(38,900,148)	(33,349,060)
Unallocated to members	(4,330)	(1,719)
Reserves	(311,134)	(223,940)
<b>Net assets available for Members benefits</b>	<b>(39,215,612)</b>	<b>(33,574,719)</b>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2017

	CONSOLIDATED		FUND	
4. Financial assets and liabilities	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
<b>Financial Assets</b>				
Cash	4,270,696	3,857,802	4,270,696	3,857,802
Credit	2,743,429	2,150,877	2,743,429	2,150,877
Derivative Assets	148,340	227,513	148,340	227,513
Fixed Interest	2,581,520	1,712,172	2,581,520	1,712,172
Australian Equities	10,033,533	8,655,052	10,033,533	8,655,052
International Equities	8,812,619	7,222,530	8,812,619	7,222,530
Alternative Assets	7,290,490	6,734,516	7,290,490	6,734,516
Externally Managed Property	2,105,951	1,862,279	2,105,951	1,862,279
Domestic Direct Property				
Cbus Property Commercial Trust	1,906,468	1,601,526	1,026,200	776,413
Cbus Property Industrial Trust	20,877	67,956	21,085	68,111
Cbus Property Pty Ltd	7,741	8,753	(9,866)	(9,829)
Cbus Property Residential Operations Trust	807,638	831,025	328,093	269,225
Cbus Prop Core Funding Account	265	-	6,577	-
313 Spencer Street	164,286	153,862	163,387	155,021
447 Collins Street	162,949	112,551	118,243	106,526
SESP No. 1 Unit Trust	435,008	398,064	433,895	396,722
United Super Investments Pty Ltd	46	46	46	46
USI (Breakfast Point) Pty Ltd	21,263	25,928	22,143	17,585
Cbus Property Developments No.2 Pty Ltd	1,858	-	-	-
<b>Total Property</b>	<b>5,634,350</b>	<b>5,061,990</b>	<b>4,215,754</b>	<b>3,642,099</b>
<b>Total Financial Assets</b>	<b>41,514,977</b>	<b>35,622,452</b>	<b>40,096,381</b>	<b>34,202,561</b>

	CONSOLIDATED		FUND	
Financial Liabilities	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
Derivative Liabilities	(60,047)	(130,011)	(54,556)	(116,131)
<b>Total Financial Liabilities</b>	<b>(60,047)</b>	<b>(130,011)</b>	<b>(54,556)</b>	<b>(116,131)</b>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

	CONSOLIDATED		FUND	
5. Receivables	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
GST recoverable	726	1,685	726	1,685
Other assets	2,318	425	2,318	425
Other receivables	9,313	11,618	-	-
	<u>12,357</u>	<u>13,728</u>	<u>3,044</u>	<u>2,110</u>

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Information regarding credit risk exposure is set out in Note 20.

	CONSOLIDATED		FUND	
6. Intangibles	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
<b>Computer Software</b>				
Opening net book value	10,315	5,209	10,315	5,209
Additions and assets under construction	6,175	10,026	6,175	10,026
Disposals	(2,633)	(4,784)	(2,633)	(4,784)
Amortisation	(1,665)	(136)	(1,665)	(136)
<b>Closing Balance</b>	<u>12,192</u>	<u>10,315</u>	<u>12,192</u>	<u>10,315</u>

	CONSOLIDATED		FUND	
7. Property, plant and equipment	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
<b>Property Plant &amp; Equipment</b>				
Opening net book value	2,692	2,181	2,281	1,587
Additions and assets under construction	1,740	1,537	1,723	1,060
Disposals	(1,290)	(33)	(879)	(33)
Depreciation	(285)	(993)	(282)	(333)
<b>Total Property, plant and equipment</b>	<u>2,857</u>	<u>2,692</u>	<u>2,843</u>	<u>2,281</u>

	CONSOLIDATED		FUND	
8. Payables and other liabilities	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
Insurance premiums payable	(33,987)	(33,686)	(33,987)	(33,686)
Investment Manager Fees Payable	(20,216)	(16,320)	(20,216)	(16,320)
Present Value lease liability - Mitchell Piazza	(18,947)	(18,963)	(18,947)	(18,963)
Administration expenses payable	(16,431)	(10,358)	(16,431)	(10,358)
Provision for employee benefits	(6,982)	(5,510)	(5,235)	(3,773)
Other accounts payable	(43,571)	(23,288)	-	-
Cbus Property project accruals	(20,240)	(30,275)	-	-
Cbus Property 447 Collins Street Unit Trust - ISPT	-	(8,000)	-	-
	<u>(160,374)</u>	<u>(146,400)</u>	<u>(94,816)</u>	<u>(83,100)</u>

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 20.



## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

	CONSOLIDATED		FUND	
9. Changes in fair value of financial instruments	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
Cash	17,564	13,804	17,564	13,804
Credit	27,033	(32,670)	27,033	(32,670)
Fixed interest securities	(57,990)	82,212	(57,990)	82,212
Australian equities	819,204	8,085	819,204	8,085
International equities	1,290,387	(235,422)	1,290,387	(235,422)
Alternative assets	394,052	339,542	394,052	339,542
Investment properties	275,228	226,603	282,226	250,105
<b>Change in fair value of financial instruments</b>	<b>2,765,478</b>	<b>402,154</b>	<b>2,772,476</b>	<b>425,656</b>

	CONSOLIDATED		FUND	
10. Investment expenses	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
Investment managers	(116,597)	(92,748)	(116,597)	(92,748)
Custody fees	(4,071)	(3,256)	(4,071)	(3,256)
Asset consulting fees	(3,569)	(3,938)	(3,569)	(3,938)
Other investment costs	(21,349)	(10,072)	(21,349)	(10,072)
Property expenses	(67,314)	(43,231)	-	-
<b>Total Investment Expenses</b>	<b>(212,900)</b>	<b>(153,245)</b>	<b>(145,586)</b>	<b>(110,014)</b>

## 11. Funding arrangements

During the year ended 30 June 2017, employers contributed to the Fund on behalf of members as part of the Trust Deed, relevant industry Award agreements and mandated Superannuation Guarantee Charge of 9.50%, (2016: 9.50%). Member and additional employer contributions are paid to the Fund at a rate determined by the member and/or employer.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

## 12. Bank debt and borrowings

### Cbus Property Finance Pty Ltd

Cbus Property Finance Pty Ltd has entered into a Club Facility Agreement for cash advanced facilities of \$860M and a contingent liability facility of \$20M with Commonwealth Bank of Australia, National Australia Bank and Australia & New Zealand Banking Group. Interest is payable on the cash advance facility on a monthly or quarterly basis at a bank bill rate plus a margin.

The Facility is secured by the properties or units held in the related entities of 171 Collins Street Unit Trust, Cbus Property (Bent Street) Unit Trust, Bourke Junction Trust No.1, 140 William Street Unit Trust, 50 Flinders Street Unit Trust, 313 Spencer Street Unit Trust and 1 William Street Unit Trust.

The Club Facility tranches have expiry dates ranging from 18 December 2018 to 20 December 2021.

### Breakfast Point

Breakfast Point Unit Trust has entered into a facility agreement with National Australia Bank Limited to fund development costs. On the 10 April 2017 a third variation deed was signed to reduce the facility limit to \$65M with an expiry date of March 2018. The loan is held within the books and records of The Breakfast Point Unit Trust. USI (BP) share of the drawn principal on the facility at 30 June 2017 is \$11.6M (2016: \$32.7M). USI (BP) and United Super Investments Pty Ltd are part guarantors under the facility, whereby liability is limited to their 50% share of the debt.

### East Melbourne Unit Trust

On 30 January 2017 Cbus Property East Melbourne Pty Ltd in its own capacity and in its capacity as Trustee of East Melbourne Unit Trust together with external joint development partners (Sovereign Clarendon Street Landowner Pty Ltd and Sovereign Wellington Parade Landowner Pty Ltd) entered into a Facility Agreement with the Commonwealth Bank of Australia for an amount of up to \$85M, repayable earlier of 3 months after practical completion or by 30 January 2019. Interest is calculated on a monthly basis at a bank bill rate plus a margin and capitalised to the facility. A line fee on the total facility is capitalised quarterly to the facility balance. The Facility is secured by the property at 20-40 Clarendon Street, East Melbourne. Cbus Property East Melbourne Pty Ltd ATF East Melbourne Unit Trust is liable for 50% of the facility (noting there is a joint and several liability if the loan is in default). In line with the scheduled settlement of apartments the loan has been classified as a current liability.

### 35 Spring Street

On 23 September 2014, Cbus Property 35 Spring Street Pty Ltd in its own capacity and in its capacity as Trustee of 35 Spring Street Unit Trust entered into a Facility Agreement with the ANZ Banking Group for an amount of up to \$208M, repayable by September 2017. On completion of the development, the loan was fully repaid from apartment settlement proceeds with the final payment made 30 March 2017.

### 88 Alfred Street

On 30 September 2015 Cbus Property 88 Alfred Street Pty Ltd in its own capacity and in its capacity as Trustee of 88 Alfred Street Unit Trust entered into a Facility Agreement with the National Australia Bank for an amount of up to \$115M, repayable by 31 August 2017. Interest is calculated on a monthly basis at a bank bill rate plus a margin and capitalised to the facility. A line fee on the total facility is capitalised quarterly to the facility balance. The Facility is secured by the property at 88 Alfred Street, Milsons Point, Sydney. In June 2017 the Development Facility term repayment date was extended from 31 August 2017 to 30 November 2017.

### Sydney Residential 2015 Unit Trust

On 30 September 2015 Cbus Property Sydney Residential Pty Ltd in its own capacity and in its capacity as Trustee of Sydney Residential 2015 Unit Trust entered into a Facility Agreement with Commonwealth Bank Australia for \$307M repayable by 30 September 2018. Interest is calculated and paid on a monthly basis at a bank bill rate. A line fee on the total facility is paid quarterly in advance. The Facility is secured by property located at Young Street, Randwick, New South Wales and 5 Martin Place, Sydney. 5 Martin Place property is held within a related entity 5 Martin Place Unit Trust.

### Langston Place

On 14 December 2015 Cbus Property Langston Place Pty Ltd, in its own capacity and in its capacity as Trustee of Langston Place Unit Trust entered into a Facility Agreement with ANZ Banking Group for \$65M repayable by 14 December 2017. Interest is calculated on a monthly basis at a bank bill rate plus a margin. The Facility is secured by 12-22 Langston Place, Epping, New South Wales.

### 1 William Street Unit Trust

On 31 March 2015, Cbus Property 1 William Street Pty Ltd in its own capacity as Trustee of the 1 William Street Unit Trust entered into a Construction Facility Agreement with the Commonwealth Bank of Australia for an amount of up to \$462.5M, repayable by March 2017. Interest and line fees were calculated on a monthly basis and capitalised to the facility. The Facility was secured by the property at 1 William Street in Brisbane, Queensland. The facility was repaid in full on 20 December 2016 by the unit holders.

Cbus Property Commercial Unit Trust has a 50% share in the units of 1 William Street Unit Trust.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

## 12. Bank debt and borrowings (continued)

### 447 Collins Street

On 29 September 2016, the trust undertook its obligations under the provision of the original contract of sale and consequently ISPT Pty Ltd atf the Industry Superannuation Property Trust No.1 (ISPT) exercised its option to buy back 50% of the Commercial and Retail component of the 447 Collins Street development at cost. Settlement of the transaction will be at completion of the development, which is beyond 12 months from the reporting date. ISPT has entered in a loan funding arrangement with 447 Collins Street Unit Trust, whereby ISPT will lend money to the trust in line with its progressive share of development costs, the loan will be extinguished on settlement of the transaction.

	CONSOLIDATED		FUND	
	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
<b>Financing facilities</b>				
<b>Current liability</b>				
CBA Loan – East Melbourne	7,438	-	-	-
ANZ Loan – 35 Spring Street	-	119,206	-	-
CBA Loan – 1 William Street	-	149,694	-	-
NAB Loan - 88 Alfred Street	91,227	-	-	-
ANZ Bank Loan - Langston Place	65,000	-	-	-
<b>Non current liabilities</b>				
<b>Secured bank loans</b>				
CBA/NAB/ANZ Club Facility Loan - Cbus				
Property Finance Pty Ltd	860,000	660,000	-	-
ANZ Bank Loan - Langston Place	-	65,000	-	-
NAB Loan - 88 Alfred Street	-	57,244	-	-
CBA Loan - Sydney Residential 2015 unit Trust	307,000	307,000	-	-
<b>Other loans</b>				
ISPT Loan - 447 Collins Street	37,913	-	-	-
	<b>1,368,578</b>	<b>1,358,144</b>	<b>-</b>	<b>-</b>

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 30 June 2017

	CONSOLIDATED		FUND	
	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
<b>13. Income tax</b>				
(a) Major components of income tax expense/(benefit) for the years ended 30 June 2017 and 2016:				
<b>Income statement</b>				
<i>Current tax expense</i>				
Current tax charge	48,393	(49,760)	44,022	(59,770)
Adjustments in respect of current income tax expense/(benefit) of previous years	(58,371)	(34,874)	(58,371)	(34,783)
<i>Deferred tax</i>				
Relating to origination and reversal of temporary differences	199,927	54,478	199,927	59,775
<b>Total tax expense as reported in the Income Statement</b>	<b>189,949</b>	<b>(30,156)</b>	<b>185,578</b>	<b>(34,778)</b>
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable				
Operating result before income tax	4,158,761	1,754,420	4,154,390	1,749,798
Income tax at 15%	623,814	263,163	623,159	262,470
Capital (gains)/losses not (assessable)/deductible	(153,457)	(59,192)	(157,173)	(63,212)
Exempt pension income	(49,203)	(7,326)	(49,203)	(7,326)
Net imputation and foreign tax credits	(123,582)	(139,503)	(123,582)	(139,503)
Insurance premium deduction	(51,215)	(52,424)	(51,215)	(52,424)
Under/(over) provision in the previous year	(56,408)	(34,874)	(56,408)	(34,783)
<b>Total tax expense/(benefit) as reported in the Income Statement</b>	<b>189,949</b>	<b>(30,156)</b>	<b>185,578</b>	<b>(34,778)</b>
(c) Income tax expense/(benefit) recognised in the Statement of Changes in Member Benefits				
Contributions and Transfers-in	4,071,459	3,219,823	4,071,459	3,219,823
Tax at the complying superannuation fund rate of 15%	610,719	482,973	610,719	482,973
Non-assessable contributions	(65,140)	(36,245)	(65,140)	(36,245)
Non-assessable transfers-in	(148,965)	(100,598)	(148,965)	(100,598)
No TFN Tax	(2,178)	3,367	(2,178)	3,367
Under/(over) provision in prior year	(1,963)	-	(1,963)	-
Anti-detriment deduction	(7,576)	(6,019)	(7,576)	(6,019)
<b>Total tax expense/(benefit) as reported in the Statement of Changes in Member Benefits</b>	<b>384,897</b>	<b>343,478</b>	<b>384,897</b>	<b>343,478</b>
(d) Deferred Tax				
<b>CONSOLIDATED</b>	<b>Opening Balance \$'000</b>	<b>2017 (Charged)/ Credited to income \$'000</b>	<b>Closing Balance \$'000</b>	
<b>Deferred tax assets</b>				
Fund expenses accrued but not incurred	2,579	332	2,911	
	2,579	332	2,911	
<b>Deferred tax liabilities</b>				
Unrealised (gains) / losses on investments	(501,289)	(195,126)	(696,415)	
	(501,289)	(195,126)	(696,415)	
<b>Net deferred tax (liability) / asset</b>	<b>(498,710)</b>	<b>(194,794)</b>	<b>(693,504)</b>	

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2017

## 13. Income tax (continued)

(d) Deferred Tax (continued)

	Opening Balance \$'000	2016 (Charged)/ Credited to income \$'000	Closing Balance \$'000
<b>Deferred tax assets</b>			
Fund expenses accrued but not incurred	2,131	448	2,579
	2,131	448	2,579
<b>Deferred tax liabilities</b>			
Contributions receivable	(32,507)	32,507	-
Unrealised (gains) / losses on investments	(444,456)	(56,833)	(501,289)
	(476,963)	(24,326)	(501,289)
<b>Net deferred tax (liability) / asset</b>	<b>(474,832)</b>	<b>(23,878)</b>	<b>(498,710)</b>

	Opening Balance \$'000	2017 (Charged)/ Credited to income \$'000	Closing Balance \$'000
<b>FUND</b>			
<b>Deferred tax assets</b>			
Fund expenses accrued but not incurred	5,053	45	5,098
	5,053	45	5,098
<b>Deferred tax liabilities</b>			
Unrealised (gains) / losses on investments	(501,542)	(199,971)	(701,513)
	(501,542)	(199,971)	(701,513)
<b>Net deferred tax (liability) / asset</b>	<b>(496,489)</b>	<b>(199,926)</b>	<b>(696,415)</b>

	Opening Balance \$'000	2016 (Charged)/ Credited to income \$'000	Closing Balance \$'000
<b>Deferred tax assets</b>			
Fund expenses accrued but not incurred	4,442	611	5,053
	4,442	611	5,053
<b>Deferred tax liabilities</b>			
Contributions receivable	(32,507)	32,507	-
Unrealised (gains) / losses on investments	(439,251)	(62,290)	(501,542)
	(471,758)	(29,783)	(501,542)
<b>Net deferred tax (liability) / asset</b>	<b>(467,316)</b>	<b>(29,172)</b>	<b>(496,489)</b>

The Fund offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets.

(e) Income tax asset and payable

The income tax payable of \$92,406,980 (2016: \$16,128,000 income tax asset) represents the amount of income tax payable or receivable in respect of current and prior periods.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

	CONSOLIDATED		FUND	
14. Operating expenses	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
Administration Fees	54,085	55,373	54,085	55,373
Audit fees	965	797	965	797
Actuarial fees	108	126	108	126
Marketing & advertising	18,549	17,047	18,549	17,047
Trustee fees and reimbursements	1,381	1,425	1,381	1,425
Other operating costs	66,274	54,927	66,274	54,927
	<b>141,362</b>	<b>129,695</b>	<b>141,362</b>	<b>129,695</b>

	CONSOLIDATED		FUND	
15. Auditors' remuneration	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
Audit Services	516	436	288	246
Other Services	379	88	374	88
	<b>895</b>	<b>524</b>	<b>662</b>	<b>334</b>

### 16. Cash flow statement reconciliation

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Statement of Financial Position as follows:

	CONSOLIDATED		FUND	
	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
Cash and cash equivalent	<b>48,610</b>	<b>47,350</b>	<b>39,346</b>	<b>37,044</b>

### Reconciliation of net cash from operating activities to net profit after income tax

Profit / (loss) after income	91,483	132,839	91,483	132,839
<b>Adjustments for:</b>				
(Increase) / decrease in assets measured in fair value	(4,310,720)	(1,922,869)	(4,265,753)	(1,873,341)
Depreciation and impairment	1,938	1,994	1,938	1,994
(Increase) / decrease in insurance payable	(139,330)	(145,444)	(139,330)	(145,444)
(Increase) / decrease in receivables	1,371	3,296	(931)	3,296
Increase / (decrease) in payables	17,870	10,603	7,837	10,602
Increase / (decrease) in income tax payable	284,729	(40,674)	294,071	(9,370)
Allocation to members' accounts	3,877,329	1,651,737	3,877,329	1,651,737
<b>Net cash outflows from operating activities</b>	<b>(175,330)</b>	<b>(308,518)</b>	<b>(133,356)</b>	<b>(227,687)</b>

### 17. Segment information

The Fund operates solely in one reportable business segment, being the provision of superannuation benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. Revenue is derived from interest, distributions and dividends, gains on the sale of investments, unrealised changes in the value of investments and contributions revenue.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2017

### 18. Controlled entities

The parent entity is the Construction and Building Unions Superannuation Fund, which owns more than half the voting power of the below entities and therefore accounting standards require these entities to be consolidated. The Fund's investments in each of its subsidiaries is detailed below:

Controlled entities	2017	2016
United Super Investments Pty Ltd	100%	100%
USI (Mitchell Plaza) Pty Ltd	100%	100%
Cbus Property Pty Ltd	100%	100%
Cbus Property Commercial Unit Trust	100%	100%
Cbus Property Residential Operations Unit Trust	100%	100%
Cbus Property Industrial Unit Trust	100%	100%
Cbus Property SESP No.1 Unit Trust	100%	100%
Cbus Property 313 Spencer Street Holdings Unit Trust	100%	100%
447 Collins Street Holdings Unit trust	100%	100%
Cbus Property Group Funding Unit Trust	100%	100%
USI (Breakfast Point) Pty Ltd	100%	100%
Cbus Property Developments No.2 Pty Ltd	100%	0%
Cbus Property Developments Unit Trust	100%	0%

### 19. Related Parties

#### Trustee Company

The Trustee Company of the Fund is United Super Pty Ltd (USPL).

#### Key Management Personnel Disclosures

The following table lists persons who held the position of Director of United Super Pty Ltd during part or all the period from 1 July 2016 to the date of this report along with the Chief Executive Officer of the Fund during this period. The remuneration paid to these persons for services to the Board, Committees of the Board and the Fund is as follows:

#### Year ended 30 June 2017

Name	Director Fee / Remuneration \$	Superannuation \$	Total \$	Fees paid to
S BRACKS	144,971	13,772	158,743	Director
S BEYNON*	51,432	4,886	56,318	Director
J DAWKINS*	105,573	10,029	115,602	Director
B DAVIS^	15,904	1,511	17,415	AWU
A DONNELLAN^	13,556	1,288	14,844	AMWU
S DUNNE*	152,252	14,464	166,716	Director
W HARNISCH*	55,103	5,235	60,338	MBA/Director
A HICKS^	3,422	325	3,747	CEPU
G KEARNEY	55,996	5,320	61,316	ACTU
P KENNEDY*	77,636	7,375	85,011	Director
R MALLIA*	53,144	5,048	58,192	CFMEU
A MCDONALD*	101,218	9,616	110,834	Director
A MILNER	49,217	4,676	53,893	Director
D NOONAN*	66,536	6,321	72,857	CFMEU
F O'GRADY*	46,936	4,459	51,395	CFMEU
E SETCHES*	52,621	4,999	57,620	CEPU
P SMITH	62,774	5,964	68,738	Director
G THOMPSON	90,450	8,593	99,043	AMWU
M ZELINSKY	51,300	4,873	56,173	AWU
D ATKIN~	624,884	25,000	649,884	CEO
<b>Total</b>	<b>1,874,925</b>	<b>143,754</b>	<b>2,018,679</b>	

^ Alternate Director

\* Member of the Fund

# Resigned 15/06/2017

~ Fund CEO

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2017

### 19. Related Parties (continued)

#### Key Management Personnel Disclosures (continued)

Year ended 30 June 2016

Name	Director Fee / Remuneration \$	Superannuation \$	Total \$	Fees paid to
S BRACKS	141,781	13,469	155,250	Director
S BEYNON*	54,390	5,167	59,557	Director
J DAWKINS <sup>#</sup>	103,250	9,809	113,059	Director
B DAVIS <sup>^</sup>	10,889	1,034	11,923	AWU
A DONNELLAN <sup>^</sup>	15,412	1,464	16,876	AMWU
S DUNNE*	25,695	2,441	28,136	Director
W HARNISCH*	82,066	7,796	89,862	MBA/Director
G KEARNEY	47,838	4,545	52,383	ACTU
P KENNEDY*	93,817	8,913	102,730	Director
R MALLIA*	60,720	5,768	66,488	CFMEU
A MCDONALD*	77,542	7,367	84,909	Director
A MILNER	45,623	4,334	49,957	Director
J MURRAY	50,118	4,761	54,879	Director
D NOONAN*	49,841	4,735	54,576	CFMEU
F O'GRADY*	43,408	4,124	47,532	CFMEU
E SETCHES*	60,755	5,772	66,527	CEPU
P SMITH	61,036	5,798	66,834	Director
G THOMPSON	121,568	11,549	133,117	AMWU
M ZELINSKY	54,390	5,167	59,557	AWU
D ATKIN~	601,103	25,000	626,103	CEO
<b>Total</b>	<b>1,801,242</b>	<b>139,013</b>	<b>1,940,255</b>	

<sup>^</sup> Alternate Director

\* Member of the Fund

~ Fund CEO

Contributions and benefits for key management personnel are determined using the same terms and conditions that apply to all other members.

#### Other related party transactions

The Fund's assets are held in trust by USPL and custodially held by JP Morgan Chase Bank (JPM). USPL, as Trustee for the Fund, interacts with other related parties as detailed below.

#### (a) Industry Super Holdings Pty Ltd / Members Equity Bank Pty Ltd

USPL has a 16.2% holding in Industry Super Holdings Pty Ltd (ISH), amounting to \$104,379,444 (2016: \$87,131,685). Industry Fund Services Pty Ltd, Industry Funds Management Pty Ltd and Industry Superannuation Network are wholly owned subsidiaries of ISH.

USPL also has a 16.9% holding in Members Equity Bank Pty Ltd amounting to \$185,965,922 (2016: \$167,798,525). Members Equity Bank Pty Ltd provides banking products to superannuation fund members and others.

Members Equity manages Super Business Loans (SBL) and Super Home Loans (SMHL) through the Members Equity Super Loans Trust (SLT). USPL has an investment of \$61,904,787 (2016: \$156,715,629) in SLT and the Fund receives investment returns from this investment.



## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2017

### 19. Related Parties (continued)

#### Other related party transactions (continued)

##### (b) Industry Fund Services Pty Ltd

Industry Fund Services Pty Ltd (IFS) provides a range of services including financial planning and credit control to the Fund. IFS has been established to provide a broad range of wholesale and retail services to superannuation funds and their members. These services are provided under normal commercial terms and conditions. Fees of \$4,198,504 (2016: \$3,812,031) were charged for the services rendered by IFS during the year. IFS is a wholly owned subsidiary of Industry Super Holdings Pty Ltd (refer to note 19(a)).

##### (c) Industry Funds Management Pty Ltd

Industry Funds Management (IFM) is the investment manager of various investment products in which USPL invests. USPL has investments in IFM Australian Private Equity Fund II \$718,011 (2016: \$1,615,186), IFM Australian Private Equity Fund III \$11,403,279 (2016: \$20,290,926), IFM International Private Equity Fund I \$17,991,191 (2016: \$25,255,783), IFM Australian Infrastructure \$1,321,476,015 (2016: \$1,177,958,002), IFM International Infrastructure \$1,081,519,847 (2016: \$945,748,186), IFM AFIF Long \$152,078,477 (2016: \$225,879,524), IFM Enhanced Indexed Australian Equities \$2,524,420,395 (2016: \$2,210,287,740), IFM Australian Private Equity Fund IV \$25,980,000 (2016: \$37,029,000), IFM International Private Equity III \$107,146,476 (2016: \$111,985,086), IFM Acorp \$915,953,920 (2016: \$679,048,116), IFM Trans Cash \$259,590,494 (2016: \$253,974,053) and IFM Sub-investment Grade Debt \$178,955,382 (2016: \$91,366,795). All management fees charged in relation to these investments are under normal commercial terms and conditions. IFM is a wholly owned subsidiary of Industry Super Holdings Pty Ltd (refer to note 19(a)).

##### (d) Industry Super Australia (formerly Industry Superannuation Network)

Industry Super Australia (ISA) is a wholly owned subsidiary of ISH. ISA provides marketing and Policy advocacy services.

The Fund CEO, Mr D Atkin is an Alternate Director and member of the advisory council. Mr S Bracks is a Director and member of the advisory council. There are no Directors' fees payable to Directors.

##### (e) Industry Fund Investments Pty Ltd

Industry Fund Investments Pty Ltd is a wholly owned subsidiary of IFS and Trustee of AUSfund. AUSfund is the Fund's eligible rollover fund and also provides cross matching services to the Fund to enable consolidation of member accounts.

##### (f) IFS Insurance Broking Pty Ltd

The Fund paid brokerage fees of \$1,899,855 (2016: \$1,821,393) to IFS Insurance Broking Pty Ltd (IFSIB) during the year for the provision of insurance broking services. USPL utilises IFSIB for various insurance related services, including sourcing group life cover. IFSIB is a 65% owned subsidiary of IFS.

##### (g) Frontier Investment Consulting Pty Ltd

During the year, the Fund paid Frontier asset consulting fees of \$4,000,702 (2016: \$3,008,153) on normal terms and conditions. Mr D. Atkin is a Director of Frontier for which the Fund received \$14,164 (2016: \$13,886) for Director fees. The Fund has an investment amounting to \$1,374,200 in Frontier (2016: \$1,405,200).

##### (h) Industry Superannuation Property Trust (Core) No.1 and No.2

USPL has an investment of \$1,191,606,518 (2016: \$996,725,209) in the Industry Superannuation Property Trust (Core) No.1, \$855,141 (2016: \$937,706) in Industry Superannuation Property Trust (Grosvenor) and \$48,893,535 (2016: \$42,764,676) in Industry Superannuation Development Trust. ISPT Pty Ltd is trustee of these trusts. Mr F O'Grady is a Director of ISPT Pty Ltd and USPL holds 1 \$1 share in ISPT Pty Ltd. Provision is made by ISPT Pty Ltd for payment of Directors' fees for the services of Directors.

Within the original contract of sale for the 447 Collins Street development site there was a "first right of refusal" provision for the then seller, ISPT Pty Ltd at the Industry Superannuation Property Trust No.1 (ISPT). ISPT exercised its option to buy back 50% of the Commercial and Retail component of the 447 Collins Street development at cost (refer to note 12).

##### (i) The New Daily

USPL had an investment of \$2,000,000 in The Free News Pty Ltd which provides free online newspaper to members with subscriptions which it sold to Industry Super Holdings on 9 June 2016. Glenn Thompson is a Director of The Free News Pty Ltd. Provision is made by USPL for the payment of Directors' fees services of \$11,408 (2016: \$8,767).

##### (j) Hasting Funds Management (UTA) Utilities Trust of Australia

USPL has an investment of \$1,017,537,528 (2016: \$949,165,765) in Utilities Trust of Australia (UTA) which invests in infrastructure. USPL holds 1 \$1 share in Utilities of Australia Pty Ltd. Peter Kennedy was appointed as a Director on 1 January 2015. Director fees of \$71,682 were paid during the period (2016: \$69,561) by UTA.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2017

### 19. Related Parties (continued)

#### Other related party transactions (continued)

##### (k) United Super Investments Pty Ltd

United Super Investments Pty Ltd (USI) is an investment company that is wholly owned by the Fund. USI was the ultimate holding company for various entities that were established to hold development properties managed by Cbus Property Pty Ltd (refer note 19(o)). All properties held by the entities owned by USI have been sold, and proceedings are being undertaken to wind up the remaining entity, Australian Super Developments Pty Ltd, which USI is the 100% owner.

The Fund CEO, Mr D Atkin, and CFO, Mr K Wells-Jansz are Directors of USI. There are no Directors' fees payable to Directors.

##### (l) Australian Super Developments Pty Ltd

Australian Super Developments Pty Ltd (ASD) is an investment company that is wholly owned by the Fund, through the 100% ownership by USI. ASD has been utilised within the USI investment structure for various property developments, however there are no remaining property developments held within this structure. Mr J Murray (resigned 22 August 2017), Mr D Noonan and Mr S Bracks (appointed 22 August 2017) are Directors of ASD. There are no fees payable to Directors.

##### (m) United Super Investments (Mitchell Plaza) Pty Ltd

United Super Investments (Mitchell Plaza) Pty Ltd (USI (MP)) is an investment company that is wholly owned by the Fund. USI (MP) was a 50% Joint Venture Partner in the Mitchell Centre Joint Venture. The Fund retains the commitment for rental of the land associated with the Mitchell Centre, on a 63 year lease with the Uniting Church. The present value of this obligation has been determined as \$18.94m (2016: \$18.96m) and has been provisioned for as a liability that will be written off over the term of the lease within the books and records of the Fund. The valuation of the liability reflects the net present value of the lease liability (refer note 8).

##### (n) USI (Breakfast Point) Pty Ltd

USI (Breakfast Point) Pty Ltd (USI (BP)) is an investment company that is wholly owned by the Fund. USI (BP) has a 50% interest in Breakfast Point Unit Trust, which was established to develop the Breakfast Point Site in NSW for residential and commercial use.

##### Financing Agreement

Breakfast Point Unit Trust has entered into a facility agreement with National Australia Bank Limited to fund development costs. On the 10 April 2017 a third variation deed was signed to reduce the facility limit to \$65M with an expiry date of March 2018. The loan is held within the books and records of The Breakfast Point Unit Trust. USI BP share of the drawn principal on the facility at 30 June 2017 is \$11.6M (2016: \$32.7M). USI (BP) and United Super Investments Pty Ltd are part guarantors under the facility, whereby liability is limited to their 50% share of the debt.

##### (o) Cbus Property Pty Ltd

Cbus Property Pty Ltd (Cbus Property) is a 100% held subsidiary of the Fund and manages all the Fund's directly held property assets. Cbus Property is a service company charged with stewardship of the direct property investments of the Fund. It invests in direct property on behalf of the Fund in accordance with an Investment Management Agreement between Cbus Property and the Fund dated 1 January 2010, as amended. Cbus Property does not have ownership of any direct property assets.

Property assets under the stewardship of Cbus Property are as follows:

	Gross Asset Value Jun-17 \$'000	Gross Asset Value Jun-16 \$'000	Net Asset Value Jun-17 \$'000	Net Asset Value Jun-16 \$'000
Development Projects and Sites	808,628	987,165	344,621	428,451
Joint Venture Development Projects	195,514	383,179	215,122	200,510
Income Earning Properties	2,479,269	1,832,053	1,554,072	1,160,759
Other	(4,012)	(9,900)	(4,012)	(9,900)
	<b>3,479,399</b>	<b>3,192,497</b>	<b>2,109,803</b>	<b>1,779,820</b>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2017

### 19. Related Parties (continued)

#### Other related party transactions (continued)

##### (o) Cbus Property Pty Ltd (continued)

Mr D Noonan, Mr J Murray (resigned 30/06/2017), Mr A McDonald, Mr W Harnisch (appointed 1/07/2017) and Mr S Bracks are Directors of Cbus Property. Cbus Property makes provision for payment of Directors fees as follows:

	Jun-17 \$'000	Jun-16 \$'000
Short-term employee benefits	277	356
Post-employment benefits	17	25
	<u>294</u>	<u>381</u>

The above compensation payments include Directors' fees paid directly to sponsoring organisations.

##### (p) Cbus Property Commercial Unit Trust

Cbus Property Commercial Unit Trust is an investment holding trust that is wholly owned by the Fund. It was established solely for the purpose of acting as the head trust for commercial projects undertaken by Cbus Property under the Investment Management Agreement. Cbus Property Commercial Pty Ltd is the trustee company for Cbus Property Commercial Unit Trust.

The following trusts are held 100% directly or indirectly by Cbus Property Commercial Unit Trust and used for commercial activities:

Trust	Trustee Company
<b>Direct</b>	
140 William Street Unit Trust	Cbus Property 140 William Street Pty Ltd
SESP Unit Trust *	Cbus Property SESP Pty Ltd *
SESP (CB3) Unit Trust *	Cbus Property SESP (CB3) Pty Ltd *
Cbus Property (Bent Street) Unit Trust	Cbus Property Bent Street Pty Ltd
171 Collins Street Unit Trust	Cbus Property 171 Collins Street Pty Ltd
5 Martin Place Unit Trust	Cbus Property 5 Martin Place Pty Ltd
50 Flinders Street Unit Trust	Cbus Property 50 Flinders Street Pty Ltd
Cbus Property Finance Pty Ltd	Cbus Property Commercial Pty Ltd
Circular Quay Developments Unit Trust	Cbus Property Circular Quay Pty Ltd
311 Spencer Street Unit Trust	Cbus Property 311 Spencer Street Unit Trust

\* Wound up on 14 December 2016

##### Indirect

The Bourke Junction Trust No.2 *	Bourke Junction No.2 Pty Ltd *
The Bourke Junction Trust No.3 *	Bourke Junction No.2 Pty Ltd *
Bourke Junction Nominees Pty Ltd *	

\* Wound up on 14 December 2016

The Cbus Property (Bent Street) Unit Trust has a one third Joint Venture interest in a commercial investment at 1 Bligh Street, Sydney.

The 171 Collins Street Unit Trust has a 50% Joint Venture interest with Charter Hall Collins Pty Ltd in 171 Collins Street Joint Venture, a commercial development at 171 Collins Street, Melbourne. The development comprises office and retail premises.

5 Martin Place Unit Trust has a 50% Joint Venture interest with Dexus in 5 Martin Place Joint Venture, a commercial development at 5 Martin Place, Sydney. The development comprises office and retail premises.

Cbus Property Commercial Unit Trust has a 50% Joint Venture interest with ISPT in 1 William Street Unit Trust, a commercial development at 1 William Street, Brisbane. The development comprises office and small retail premises.

As part of its management of the Fund's commercial property developments, where required, Cbus Property has entered into arrangements with external financiers to provide funding for certain developments.

##### (q) Cbus Property Residential Operations Unit Trust

Cbus Property Residential Operations Unit Trust is an investment holding trust that is wholly owned by the Fund. It was established solely for the purpose of acting as the head trust for residential projects undertaken by Cbus Property Pty Ltd under the Investment Management Agreement. Cbus Property Residential Operations Pty Ltd is the trustee company for Cbus Property Residential Operations Unit Trust.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2017

### 19. Related Parties (continued)

#### Other related party transactions (continued)

##### (q) Cbus Property Residential Operations Unit Trust (continued)

The following trusts are held 100% directly by Cbus Property Residential Operations Unit Trust and used for residential development activities:

Trust	Trustee Company
<b>Direct</b>	
35 Spring Street Unit Trust	Cbus Property 35 Spring Street Pty Ltd
North Melbourne Unit Trust	Cbus Property North Melbourne Pty Ltd
Vision 2016 Unit Trust	Cbus Property Vision 2016 Pty Ltd
Forbes Street Residential Unit Trust *	Cbus Property Forbes Street Pty Ltd *
Warleigh Grove Unit Trust *	Cbus Property Warleigh Grove Pty Ltd *
West Melbourne Unit Trust	Cbus Property West Melbourne Pty Ltd
Brisbane Unit Trust	Cbus Property Brisbane Pty Ltd
Collingwood Unit Trust	Cbus Property Collingwood Pty Ltd
Wharf Street Spring Hill Unit Trust	Cbus Property Spring Hill Pty Ltd
88 Alfred Street Unit Trust	Cbus Property 88 Alfred Street Pty Ltd
Langston Place Unit Trust	Cbus Property Langston Place Pty Ltd
Sydney Residential 2015 Unit Trust	Cbus Property Sydney Residential Pty Ltd
East Melbourne Unit Trust **	Cbus Property East Melbourne Pty Ltd **

\* wound-up on 1 September 2016

\*\* formerly 130 Elizabeth Street Unit Trust before name change

##### (r) Cbus Property Hospitality Unit Trust

Cbus Property Hospitality Unit Trust is an investment holding trust that is wholly owned by the Fund. It was established solely for the purpose of acting as the head trust for hospitality projects undertaken by Cbus Property Pty Ltd under the Investment Management Agreement. Cbus Property Hospitality Pty Ltd is the trustee company for Cbus Property Hospitality Unit Trust.

There are no assets held within the Cbus Property Hospitality Unit Trust.

##### (s) Cbus Property Industrial Unit Trust

Cbus Property Industrial Unit Trust is an investment holding trust that is wholly owned by the Fund. It was established solely for the purpose of acting as the head trust for industrial projects undertaken by Cbus Property Pty Ltd under the Investment Management Agreement. Cbus Property Industrial Pty Ltd is the trustee company for Cbus Property Industrial Unit Trust.

The following trust is held 100% directly by Cbus Property Industrial Unit Trust and used for industrial development activities.

Trust	Trustee Company
Industrial Property No.1 Unit Trust	Industrial Property No.1 Pty Ltd

##### (t) 313 Spencer Street Holdings Unit Trust

313 Spencer Street Holdings Unit Trust is an investment holding trust that is wholly owned by the Fund. It was established solely for the purpose of acting as the head trust for a commercial development at 313 Spencer Street undertaken by Cbus Property Pty Ltd under the Investment Management Agreement. Cbus Property 313 Spencer Street Holdings Pty Ltd is the trustee company for 313 Spencer Street Holdings Unit Trust.

The following trust is held 100% directly by 313 Spencer Street Holding Unit Trust.

Trust	Trustee Company
313 Spencer Street Unit Trust	Cbus Property 313 Spencer Street Holdings Pty Ltd

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2017

### 19. Related Parties (continued)

#### Other related party transactions (continued)

##### (u) SESP No.1 Unit Trust

SESP No.1 Unit Trust is an investment holding trust that is wholly owned by the Fund. It was established solely for the purpose of acting as the head trust for a commercial development at 720 Bourke Street undertaken by Cbus Property Pty Ltd under the Investment Management Agreement. Cbus Property SESP No.1 Pty Ltd is the trustee company for SESP No.1 Unit Trust.

The following trust was held 100% directly by SESP No.1 Unit Trust.

Trust	Trustee Company
The Bourke Junction Trust No.1	Bourke Junction No.1 Pty Ltd

##### (v) 447 Collins Street Holdings Unit Trust

447 Collins Street Holdings Unit Trust is an investment holding trust that is wholly owned by the Fund. It was established solely for the purpose of acting as the head trust for a commercial development at 447 Collins Street undertaken by Cbus Property Pty Ltd under the Investment Management Agreement. Cbus Property 447 Collins Street Holdings Pty Ltd is the trustee company for 447 Collins Street Holdings Unit Trust.

The following trust is held 100% directly by 447 Collins Street Holdings Unit Trust.

Trust	Trustee Company
447 Collins Street Unit Trust	Cbus Property 447 Collins Street Pty Ltd

##### (w) Cbus Property Developments Unit Trust

Cbus Property Developments Unit Trust is an investment holding trust that is wholly owned by the Fund. There is currently no properties held within this head trust. The Trust received revenue from project underwriting the 1 William Street development.

##### (x) Cbus Property Group Funding Unit Trust

Cbus Property Group Funding Unit Trust is a head trust that is wholly owned by the Fund. Cbus Property Pty Ltd is a property development and property investment vehicle, which manages the Cbus direct property portfolio via an Investment Management Agreement on behalf of Cbus. No fees were paid to Cbus Property Pty Ltd.

##### (y) United Super Pty Ltd (USPL)

The Trustee of the Fund is United Super Pty Ltd (USPL). During the year, the Fund paid USPL a Trustee fee of \$1,381,201 (2016: \$1,628,331) for administration and financial management services.

##### (z) George Street Holdings Unit Trust

George Street Holdings Unit Trust is an investment holding trust for the George Street Unit Trust which is wholly owned by the Fund. There is currently no activity within this head trust.

The following trusts are held 100% directly by George Street Holding Unit Trust

Trust	Trustee Company
George Street Holdings Unit Trust	Cbus Property George Street Holdings Pty Ltd

##### (aa) Sponsoring Organisations

Marketing and promotion of the Fund includes partnership arrangements with the Fund's member and employer sponsoring organisations. The Fund invests in industry partnership arrangements that deliver effective and strategic benefits that outweigh the cost of these arrangements through growth of the level of employer/member support of Cbus, strengthening of Cbus' brand identity, awareness and image and support of the Building and Construction Industry. All proposed partnership arrangements are assessed for outcomes and benefits to be delivered to the Fund and its members. The amounts below include payments for partnership arrangements to the Fund's seven sponsoring organisations:

	Jun-17 \$	Jun-16 \$
Partnership Agreements		
Employer	622,681	486,270
Member	1,019,090	1,166,298
	<u>1,641,771</u>	<u>1,652,568</u>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

## 20. Financial risk management

All investments of the Fund are held on behalf of the Trustee by JPMorgan Chase Bank, National Association (JPM) who act as the master custodian. Each investment manager is required to invest the assets managed by it in accordance with the terms of a written mandate or Trust Deed. The Trustee has determined that appointment of these managers is appropriate for the Fund and is in accordance with Cbus investment strategy and outsourcing policy.

The Trustee determines the strategic asset allocations of each of the Fund's investment options. The Trustee receives advice from its investment adviser in making its determination. The asset allocation is reviewed throughout the year in accordance with the Fund's Risk Management Policy, Investment Policy and Procedures Manual.

The Fund's activities expose it to a variety of investment risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Fund manages this investment risk as part of its overall Risk Management Framework and Investment Governance Framework.

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

The Fund obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks. The Fund obtains formal Derivative Risk Statements from each manager where available.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include asset allocation modelling, historical stress testing and forward looking scenario testing. The Fund's investment adviser uses a range of qualitative measures of risk when assessing the individual managers' and the Fund's overall investment arrangements.

### (a) Market Risk

#### (i) Foreign Exchange Risk

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis. The Fund has a currency management policy within its Investment Policy Statement. Compliance with the Fund's policy is monitored on a regular basis.

The Fund currently utilises a currency overlay manager to assist with implementation management.

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

	US Dollar A\$'000	GB Pound A\$'000	Jap. Yen A\$'000	EURO A\$'000	Other A\$'000	Total \$'000
<b>30 June 2017</b>						
Net exposure	6,190,554	442,664	614,604	1,528,716	1,997,021	10,773,559
<b>30 June 2016</b>						
Net exposure	5,169,479	400,167	503,214	1,129,437	1,584,241	8,786,538

Unsettled sales and purchases, dividends and interest receivable are not included in the net exposure figures shown above. Foreign Exchange Contracts are the fair value of the exchange exposure (rather than the market value of the hedged instrument).

#### *Sensitivity analysis*

Based on an assessment of historical ranges of currency and one standard deviation expectation an assumption of +/- 8.5% (2016: +/- 8.5%) has been determined by the investment advisor as an appropriate assumption for this scenario analysis.

A 8.5% strengthening/weakening of the Australian dollar against the following currencies at 30 June 2017 would have (decreased)/increased the net assets available to pay member liabilities and the net result from superannuation activities by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016. The impact mainly arises from the reasonably possible change in foreign currency rates. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors including the average absolute divergence between the unhedged and hedged MSCI World Index ex Australian annual returns over a 10 year period.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

## 20. Financial risk management (continued)

### (i) Foreign Exchange Risk (continued)

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

		US Dollar A\$'000	GB Pound A\$'000	Jap. Yen A\$'000	EURO A\$'000	Other A\$'000
<b>30 June 2017</b>						
	8.50%	(484,974)	(34,679)	(48,149)	(119,761)	(156,449)
	-8.50%	575,079	41,122	57,094	142,012	185,516
<b>30 June 2016</b>						
	8.50%	(404,982)	(31,349)	(39,422)	(88,481)	(124,111)
	-8.50%	480,225	37,174	46,747	104,920	147,170

### (ii) Interest Rate Risk

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

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

	Floating Interest rate \$'000	Fixed Interest rate \$'000
<b>30 June 2017</b>		
<b>Financial assets and liabilities</b>		
Cash and cash equivalents	214,565	681,346
Deposits held with broker margin accounts	56,955	-
Fixed Interest Securities	997,343	2,779,397
Money Market Securities	-	876,153
Futures	-	823
Swaps	22,089	(21,798)
<b>Net exposure</b>	<b>1,290,952</b>	<b>4,315,921</b>
<b>30 June 2016</b>		
<b>Financial assets and liabilities</b>		
Cash and cash equivalents	1,028,704	54,380
Deposits held with broker margin accounts	31,747	-
Fixed Interest Securities	632,679	1,907,203
Options	-	31
Money Market Securities	-	605,307
Futures	-	(412)
Swaps	23,648	(23,932)
<b>Net exposure</b>	<b>1,716,778</b>	<b>2,542,577</b>

This risk analysis section does not cover investments in managed trust vehicles as these risks are already covered through unit pricing risk.

### Sensitivity analysis

Based on an assessment of historical movements in cash and bond rates over rolling 1 year periods, an assumption of +/-0.95% has been determined by the investment advisor as the appropriate assumption for this scenario analysis. A change of +0.95% in interest rates with all other variables remaining constant would have increased the net assets available to pay member liabilities and the net result from superannuation activities by \$53,265,293 (2016: \$40,463,871). A change of -0.95% in interest rates with all other variables remaining constant would have decreased the net assets available to pay member liabilities and the net result from superannuation activities by \$53,265,293 (2016: \$40,463,871). The analysis is performed on the same basis for 2016. The impact mainly arises from the reasonably possible change in interest rates on the fair value of fixed interest securities.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

## 20. Financial risk management (continued)

### (iii) Price Risk

The Fund is exposed to equity securities and derivative securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. The securities are classified on the Statement of Financial Position at fair value. All securities investments present a risk of loss of capital. The maximum risk is determined by the fair value of the financial instruments.

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. Investment manager mandate compliance is monitored by the custodian and performance reports against benchmark are reported on a regular basis to the Investment Committee.

Sensitivity analysis based on analysis of historical data in respect of asset class returns and using this analysis to formulate expected future ranges of returns, the investment advisor has determined that the following assumptions are appropriate for this scenario analysis. The assumptions below are based on an expected range of outcomes with a +/- 1 standard deviation.

Asset Class	2017	2016
	+/- %	+/- %
Australian Equities	14	14
International Equities	13	13
Alternatives	6	6
Direct Property	11	11
Credit	3	3
Fixed Interest	3	3
Cash	1	1

A percentage increase in the relevant asset classes as set out in the table above at the reporting date would have increased the net assets available to pay member liabilities by \$3,817,659,875 (2016: an increase of \$3,181,470,358). An equal change in the opposite direction would have decreased the net assets available to pay member liabilities by \$3,817,659,875 (2016: a decrease of \$3,181,470,358). The impact on the net result from superannuation activities would have been an increase or decrease of \$3,817,659,875 (2016: \$3,181,470,358). The analysis is performed on the same basis for 2016. The impact mainly arises from the reasonably possible change in the fair value of listed equities, alternative assets, direct property and unlisted trusts.

### (b) Credit Risk

Credit risk is the risk that one party to a financial investment will cause financial loss for the other party by failing to discharge an obligation. Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and amounts due from brokers.

The Fund invests in debt securities which carry credit risk. The Fund employs investment managers to manage the securities within approved credit limits within their mandate. Compliance of managers with their mandates is monitored by the Fund's custodian.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by ensuring that transactions are undertaken with a range of high quality counterparties, and by using exchange traded contracts where suitable.

The Fund does not have any significant exposure to any individual counterparty or industry and assets are invested by individual investment managers and in specific investment trusts and investment linked insurance policies.



## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

## 20. Financial risk management (continued)

### (b) Credit Risk (continued)

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

Rating	Jun-17 \$'000	Jun-16 \$'000
AAA	1,565,300	1,047,372
AA+	207,554	152,092
AA	46,058	22,501
AA-	163,007	67,520
A	88,425	61,262
A+	22,970	10,567
A-	23,088	18,709
A1	247,557	186,314
A-1	53,811	61,545
A-1+	52,745	47,764
A2	7,962	5,023
A-2	769,596	495,998
A3	7,272	1,705
Aa1	95,336	49,787
Aa2	116,469	63,453
Aa3	13,573	20,404
NR	725,830	497,763
B	12,406	5,776
Ba1	3,751	3,617
Baa1	2,807	2,031
Baa2	109,887	65,242
Baa3	962	1,008
B1	3,997	5,139
B2	20,437	8,069
BB	13,665	3,126
BBB	45,192	47,462
BBB+	131,639	103,604
BBB-	101,597	93,668
	<b>4,652,893</b>	<b>3,148,521</b>

### (c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising cash to meet commitments associated with member liabilities. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the Fund invests the majority of its assets in financial instruments, which under normal market conditions are readily convertible to cash.

The Fund limits the allocation of illiquid assets and ensures that the allocation is consistent with the intended term of investment. The Fund's membership profile coupled with the bulk of its assets being invested in highly liquid asset classes allows the Fund to tolerate an exposure to assets with lower levels of inherent liquidity (e.g. property and infrastructure investments) in an expectation of higher investment returns in the longer term.

The table below analyses the contractual maturities of the Fund's net derivative financial assets, based on the remaining period to the contractual maturity date at the year end.

	Carrying Amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	>12 months \$'000
<b>30 June 2017</b>					
<b>Financial Assets</b>					
Net Settled Derivatives	93,784	50,357	6,899	36,236	292
<b>Net Derivative Assets</b>	<b>93,784</b>	<b>50,357</b>	<b>6,899</b>	<b>36,236</b>	<b>292</b>
	Carrying Amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	>12 months \$'000
<b>30 June 2016</b>					
<b>Financial Assets</b>					
Net Settled Derivatives	111,382	77,409	7,218	27,038	(283)
<b>Net Derivative Assets</b>	<b>111,382</b>	<b>77,409</b>	<b>7,218</b>	<b>27,038</b>	<b>(283)</b>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2017

### 20. Financial risk management (continued)

#### (c) Liquidity Risk (continued)

The above table does not include the Fund's Member Liabilities as it is not practicable to determine the timing of when such liabilities will be paid.

The table below analyses the contractual maturities of the Fund's derivative financial instruments that will be settled on a gross basis, based on the remaining period to the contractual maturity date at the year end.

30 June 2017	Carrying Amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	>12 months \$'000
Foreign currency forward contracts					
Inflows	8,846,830	4,758,668	1,482,242	2,605,628	292
(Outflows)	(8,753,046)	(4,708,311)	(1,475,343)	(2,569,392)	-
30 June 2016	Carrying Amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	>12 months \$'000
Foreign currency forward contracts					
Inflows	9,046,664	5,544,369	1,001,033	2,501,262	-
(Outflows)	(8,935,282)	(5,466,960)	(993,815)	(2,474,224)	(283)

#### (d) Fair Value Hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). These inputs must be observable for substantially the full term of the financial instrument.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). This includes any instrument that is not categorised in Level 1 or Level 2.

The levels in the fair value hierarchy to which instruments are being classified, are determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is determined to be a level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the instrument being classified.

The table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2017.

2017 Consolidated	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Assets</b>				
Financial assets designated at fair value through profit and loss:				
Cash	4,158,677	112,019	-	4,270,696
Credit	-	2,743,429	-	2,743,429
Derivative assets	67,714	45,645	34,981	148,340
Fixed interest securities	-	2,581,520	-	2,581,520
Australian equities	10,033,533	-	-	10,033,533
International equities	8,812,619	-	-	8,812,619
Alternative investment assets	-	-	7,290,490	7,290,490
Property	-	-	5,634,350	5,634,350
	<b>23,072,543</b>	<b>5,482,613</b>	<b>12,959,821</b>	<b>41,514,977</b>
<b>Financial Liabilities</b>				
Financial liabilities held for trading:				
Derivative Liabilities	(34,187)	(11,788)	(14,072)	(60,047)
	<b>(34,187)</b>	<b>(11,788)</b>	<b>(14,072)</b>	<b>(60,047)</b>

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 30 June 2017

### 20. Financial risk management (continued)

#### (d) Fair Value Hierarchy (continued)

2016 Consolidated	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Assets</b>				
Financial assets designated at fair value through profit and loss:				
Cash	3,843,387	14,415	-	3,857,802
Credit	-	2,150,877	-	2,150,877
Derivative assets	82,650	54,094	90,769	227,513
Fixed interest securities	-	1,712,172	-	1,712,172
Australian equities	8,655,052	-	-	8,655,052
International equities	7,222,530	-	-	7,222,530
Alternative investment assets	-	-	6,734,516	6,734,516
Property	-	-	5,061,990	5,061,990
	<b>19,803,619</b>	<b>3,931,558</b>	<b>11,887,275</b>	<b>35,622,452</b>
<b>Financial Liabilities</b>				
Financial liabilities held for trading:				
Derivative Liabilities	(43,454)	(33,875)	(52,682)	(130,011)
	<b>(43,454)</b>	<b>(33,875)</b>	<b>(52,682)</b>	<b>(130,011)</b>
<b>2017 Fund</b>				
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial Assets</b>				
Financial assets designated at fair value through profit and loss:				
Cash	4,158,677	112,019	-	4,270,696
Credit	-	2,743,429	-	2,743,429
Derivative assets	67,714	45,645	34,981	148,340
Fixed interest securities	-	2,581,520	-	2,581,520
Australian equities	10,033,533	-	-	10,033,533
International equities	8,812,619	-	-	8,812,619
Alternative investment assets	-	-	7,290,490	7,290,490
Property	-	-	4,215,754	4,215,754
	<b>23,072,543</b>	<b>5,482,613</b>	<b>11,541,225</b>	<b>40,096,381</b>
<b>Financial Liabilities</b>				
Financial liabilities held for trading:				
Derivative Liabilities	(34,187)	(11,788)	(8,581)	(54,556)
	<b>(34,187)</b>	<b>(11,788)</b>	<b>(8,581)</b>	<b>(54,556)</b>
<b>2016 Fund</b>				
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial Assets</b>				
Financial assets designated at fair value through profit and loss:				
Cash	3,843,387	14,415	-	3,857,802
Credit	-	2,150,877	-	2,150,877
Derivative assets	82,650	54,094	90,769	227,513
Fixed interest securities	-	1,712,172	-	1,712,172
Australian equities	8,655,052	-	-	8,655,052
International equities	7,222,530	-	-	7,222,530
Alternative investment assets	-	-	6,734,516	6,734,516
Property	-	-	3,642,099	3,642,099
	<b>19,803,619</b>	<b>3,931,558</b>	<b>10,467,384</b>	<b>34,202,561</b>
<b>Financial Liabilities</b>				
Derivative Liabilities				
	(43,454)	(33,875)	(38,802)	(116,131)
	<b>(43,454)</b>	<b>(33,875)</b>	<b>(38,802)</b>	<b>(116,131)</b>

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 30 June 2017

### 20. Financial risk management (continued)

#### (d) Fair Value Hierarchy (continued)

The following table presents the movement in level 3 instruments for the year ended 30 June 2017 by class of financial instrument.

#### At 30 June 2017

##### Consolidation

	Alternative Investment Assets \$'000	Property \$'000	Derivative Financial Instruments \$'000
Opening Balance	6,734,516	5,061,990	38,087
Purchases	960,845	863,744	-
Sales	(728,426)	(652,761)	-
Transfers into/(out of) from level 3	-	-	-
Gains and losses recognised in profit or loss	323,555	361,377	(17,178)
<b>Closing Balance</b>	<b>7,290,490</b>	<b>5,634,350</b>	<b>20,909</b>

Total gains or losses for the year included in the Income Statement for financial assets and liabilities held at the end of the year

<b>323,555</b>	<b>361,377</b>	<b>(17,178)</b>
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#### At 30 June 2016

##### Consolidation

	Alternative Investment Assets \$'000	Property \$'000	Derivative Financial Instruments \$'000
Opening Balance	6,256,364	3,993,144	(107,307)
Purchases	780,563	1,125,921	-
Sales	(657,741)	(326,260)	-
Transfers into/(out of) from level 3	-	-	-
Gains and losses recognised in profit or loss	355,330	269,185	145,394
<b>Closing Balance</b>	<b>6,734,516</b>	<b>5,061,990</b>	<b>38,087</b>

Total gains or losses for the year included in the Income Statement for financial assets and liabilities held at the end of the year

<b>355,330</b>	<b>269,185</b>	<b>145,394</b>
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The following table presents the movement in level 3 instruments for the year ended 30 June 2017 by class of financial instrument.

#### At 30 June 2017

##### Fund

	Alternative Investment Assets \$'000	Property \$'000	Derivative Financial Instruments \$'000
Opening Balance	6,734,516	3,642,099	51,967
Purchases	960,845	863,744	-
Sales	(728,426)	(652,761)	-
Transfers into/(out of) from level 3	-	-	-
Gains and losses recognised in profit or loss	323,555	362,672	(25,567)
<b>Closing Balance</b>	<b>7,290,490</b>	<b>4,215,754</b>	<b>26,400</b>

Total gains or losses for the year included in the Income Statement for financial assets and liabilities held at the end of the year

<b>323,555</b>	<b>362,672</b>	<b>(25,567)</b>
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#### At 30 June 2016

##### Fund

	Alternative Investment Assets \$'000	Property \$'000	Derivative Financial Instruments \$'000
Opening Balance	6,256,364	3,174,844	(99,100)
Purchases	780,563	524,330	-
Sales	(657,741)	(326,260)	-
Transfers into/(out of) from level 3	-	-	-
Gains and losses recognised in profit or loss	355,330	269,185	151,067
<b>Closing Balance</b>	<b>6,734,516</b>	<b>3,642,099</b>	<b>51,967</b>

Total gains or losses for the year included in the Income Statement for financial assets and liabilities held at the end of the year

<b>355,330</b>	<b>269,185</b>	<b>151,067</b>
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## **CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND**

### **Notes to the Financial Statements**

**For the year ended 30 June 2017**

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

### **(d) Fair Value Hierarchy (continued)**

In regard to Alternative Investment Assets, the most significant assets, at reporting date, relate to units held in pooled investment vehicles of unlisted securities. The fair value of these investments, that are not quoted in an active market, is determined primarily by reference to the latest available redemption price of such units, as determined by the fund manager. The unit valuation is based on the valuations of the underlying securities, which the fund manager values in accordance with its own valuation policies, which typically follow accepted accounting standards and/or industry guidelines, such as the valuation guidelines adopted by the Australian Private Equity and Venture Capital Association and its international counterparts.

The fund managers of unlisted assets typically appoint an independent valuer to value the underlying assets at least annually. Unlisted assets are typically valued using Discounted Cash Flow models combined with an assessment of actual sales of comparable assets and price indicators from listed markets.

Based on an assessment of unobservable inputs relating to the fair value of Cbus Property assets, the most significant unobservable input is the capitalisation rate. The range of unobservable input for the capitalisation rate is assumed to be 5% to 6.75% (2016: 5.19% to 7.5%). This range has been determined by Cbus Property as an appropriate assumption for this scenario analysis. A 0.25% increase or decrease of the unobservable input at 30 June 2017 based on a mid-point capitalisation rate would have (decreased)/increased the net assets available to pay member liabilities and the net result from superannuation activities by the following amount +/- \$113,247,926 (2016: +/- \$80,551,949). The analysis is performed on the same basis for 2016.

## **21. Insurance**

The Fund provides death and disability benefits to members. These benefits are greater than the members' vested benefit and as such the Trustee has a group policy in place with a third party to insure death and disability benefits in excess of vested benefits. The Trustee acts as an agent for these arrangements.

## **22. Significant events after balance date**

Since 30 June 2017 there have been no matters or circumstances which have arisen that have significantly affected or may significantly affect the financial position or operating results of the Fund.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2017

#### 23. Investment commitments

	CONSOLIDATED		FUND	
	Jun-17 \$'000	Jun-16 \$'000	Jun-17 \$'000	Jun-16 \$'000
Credit	48	115	48	115
Australian Equities	-	-	-	-
Infrastructure	-	-	-	-
Alternative investment assets	772	694	772	694
Properties	934	1,053	1,581	1,646
Total Investment Commitments	<u>1,754</u>	<u>1,862</u>	<u>2,401</u>	<u>2,455</u>

#### 24. Contingent Liabilities

Australian Super Developments Pty Ltd (ASD) as trustee for the Australian Super Developments Unit Trust entered into a Deed of Assignment of Lease dated 14 May 1998, assigning the lease of the Regent Theatre to Regent Theatre Holdings Pty Ltd as Trustee for The Marriner (Regent Theatre) Trust. The Deed states per clause 6.1, that the assignor (ASD) is not released from the assignment of the lease for a period of fifty (50) years from the date of signing. At the balance sheet date the assignee had not defaulted, therefore no liability has been recognised.

Cbus Property Finance Pty Ltd secured a \$20M (2016:\$50M) bank guarantee facility as part of the Club Facility arrangement. Guarantees on behalf of a number of Cbus Property controlled entities have been undertaken in the normal course of business to secure the obligations of the relevant entity. At 30 June 2017, \$5.1M of the facility was utilised. In August 2017 the bank guarantee facility was increased to \$40M.

**CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND**  
**Financial Statements**  
**For the year ended 30 June 2017**

**TRUSTEE DECLARATION**

In the opinion of the Trustee of Construction and Building Unions Superannuation Fund:

- (a) the accompanying financial statements and notes set out on pages 1 to 36 are in accordance with:
  - (i) Australian Accounting Standards and other mandatory professional reporting requirements, and
  - (ii) present fairly the Fund's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- (b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993* and its accompanying Regulations; the relevant requirements of the *Corporations Act 2001 and Regulations*; the requirements under *section 13 of the Financial Sector (Collection of Data) Act 2001* during the year ended 30 June 2017; and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of United Super Pty Ltd as Trustee for Construction and Building Unions Superannuation Fund.

Signed at Melbourne, 12 September 2017

Director



Director





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

**Independent Auditor's report approved form for a registrable superannuation entity (RSE) which is a reporting entity (as defined in Australian Accounting Standard AASB 1056)**

*Report by the RSE Auditor to the trustees and members of Construction and Building Unions Superannuation Fund and its consolidated entities (ABN: 75 493 363 262)*

### ***Opinion***

I have audited the financial statements of Construction and Building Unions Superannuation Fund for the year ended 30 June 2017 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Construction and Building Unions Superannuation Fund as at 30 June 2017 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2017.

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

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

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

### ***Trustee's responsibility for the financial statements***

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

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

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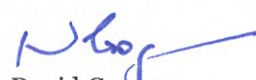
### ***Auditor's responsibility***

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

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

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

  
PricewaterhouseCoopers

  
David Coogan  
Partner

Melbourne  
12 September 2017