



CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND
TABLE OF CONTENTS

	Page
Statement of Financial Position	1
Income Statement	2
Statement of Changes in Member Benefits	3
Statement of Changes in Reserves	4
Statement of Cash Flows	5
 Notes to the Financial Statements	
1. Operation of the Fund	6
2. Summary of significant accounting policies	6 - 10
3. Member benefits	11
4. Financial assets and liabilities	12
5. Receivables	13
6. Intangibles	13
7. Property, plant and equipment	13
8. Payables and other liabilities	13
9. Changes in fair value of financial instruments	14
10. Investment expenses	14
11. Funding arrangements	14
12. Bank debt and borrowings	15 - 16
13. Income tax	17 - 18
14. Administration and operating expenses	19
15. Auditors' remuneration	19
16. Cash flow statement reconciliation	19
17. Segment information	19
18. Controlled entities	20
19. Related Parties	20 - 26
20. Financial risk management	27 - 34
21. Members insurance	34
22. Significant events after balance date	34
23. Investment commitments	34
24. Contingent Liabilities	34
 Trustee Declaration	
Independent Report by the Approved Auditor to the Trustee	

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Statement of Financial Position

As at 30 June 2018

		CONSOLIDATED		FUND	
	Note	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Assets					
Cash at bank	16	43,609	48,610	33,334	39,346
Receivables	5	14,103	12,357	4,264	3,044
Financial assets	4	48,548,440	41,514,977	47,035,157	40,096,381
Intangibles	6	14,654	12,192	14,654	12,192
Property, plant and equipment	7	3,832	2,857	3,769	2,843
Deferred tax asset	13(d)	2,311	2,911	-	-
Income tax assets	13(e)	1,783	862	-	-
Total assets		<u>48,628,732</u>	<u>41,594,766</u>	<u>47,091,178</u>	<u>40,153,806</u>
Liabilities					
Payables and other liabilities	8	(203,645)	(160,374)	(132,063)	(94,816)
Income tax payable	13(e)	(134,295)	(93,740)	(129,723)	(92,407)
Financial liabilities	4	(327,626)	(60,047)	(322,466)	(54,556)
Borrowings	12	(1,431,040)	(1,368,578)	-	-
Deferred tax liabilities	13(d)	(931,634)	(696,415)	(906,434)	(696,415)
Total liabilities excluding member benefits		<u>(3,028,240)</u>	<u>(2,379,154)</u>	<u>(1,490,686)</u>	<u>(938,194)</u>
Net assets available for member benefits	3	<u>45,600,492</u>	<u>39,215,612</u>	<u>45,600,492</u>	<u>39,215,612</u>
Member Liabilities					
Allocated to members		(45,178,758)	(38,900,148)	(45,178,758)	(38,900,148)
Unallocated to members		(4,195)	(4,330)	(4,195)	(4,330)
Total member liabilities	3	<u>(45,182,953)</u>	<u>(38,904,478)</u>	<u>(45,182,953)</u>	<u>(38,904,478)</u>
Net assets		<u>417,539</u>	<u>311,134</u>	<u>417,539</u>	<u>311,134</u>
Equity					
General reserve		(102,370)	(77,888)	(102,370)	(77,888)
Insurance reserve		(187,488)	(123,442)	(187,488)	(123,442)
Operational risk reserve		(127,681)	(109,804)	(127,681)	(109,804)
Total equity		<u>(417,539)</u>	<u>(311,134)</u>	<u>(417,539)</u>	<u>(311,134)</u>

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 2018

		CONSOLIDATED		FUND	
	Note	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Superannuation activities					
Interest revenue		182,861	140,195	181,822	139,681
Distribution and dividend revenue		1,406,320	1,212,544	1,564,900	1,477,465
Changes in fair value of financial instruments	9	3,243,854	2,765,478	3,204,798	2,772,476
Other investment income		102,193	216,496	26,586	22,332
Property rentals		193,627	190,042	-	-
Other income		37,632	29,384	37,632	29,384
Total superannuation activities income		5,166,487	4,554,139	5,015,738	4,441,338
Investment expenses	10	(307,536)	(212,900)	(233,440)	(145,586)
Administration and operating expenses	14	(154,037)	(141,362)	(154,037)	(141,362)
Borrowing costs		(39,648)	(41,116)	-	-
Total expenses		(501,221)	(395,378)	(387,477)	(286,948)
Result from superannuation activities before income tax expense/(benefit)		4,665,266	4,158,761	4,628,261	4,154,390
Income tax expense/(benefit)	13(a)	339,489	189,949	302,484	185,578
Result from superannuation activities after income tax expense/(benefit)		4,325,777	3,968,812	4,325,777	3,968,812
Less: Net benefits allocated to members' accounts		(4,219,372)	(3,877,329)	(4,219,372)	(3,877,329)
Operating result after income tax		106,405	91,483	106,405	91,483

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 2018

		CONSOLIDATED		FUND	
	Note	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Opening balance of member benefits		38,904,478	33,350,779	38,904,478	33,350,779
Contributions received from:					
Employers		2,826,772	2,604,711	2,826,772	2,604,711
Members		390,233	469,427	390,233	469,427
Transfer from other superannuation funds		1,314,439	997,321	1,314,439	997,321
Income tax on contributions	13(c)	(427,424)	(384,897)	(427,424)	(384,897)
Net after tax contributions		4,104,020	3,686,562	4,104,020	3,686,562
Benefits paid to members/beneficiaries		(1,985,732)	(1,870,862)	(1,985,732)	(1,870,862)
Insurance premiums charged to members		(304,004)	(371,118)	(304,004)	(371,118)
Death and disability insurance entitlements paid to members or beneficiaries		244,819	231,788	244,819	231,788
Benefits allocated to members' accounts, comprising:					
Net investment income		4,280,953	3,937,921	4,280,953	3,937,921
Administration fees		(61,581)	(60,592)	(61,581)	(60,592)
Closing balance of member benefits		45,182,953	38,904,478	45,182,953	38,904,478

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 2018

CONSOLIDATED

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2017	77,888	123,442	109,804	311,134
Net transfers to/from reserves	(5,936)	-	5,936	-
Operating result	30,417	64,047	11,941	106,405
Closing balance as at 30 June 2018	<u>102,370</u>	<u>187,488</u>	<u>127,681</u>	<u>417,539</u>

	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)
Operating result	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>

FUND

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
Opening balance as at 1 July 2017	77,888	123,442	109,804	311,134
Net transfers to/from reserves	(5,936)	-	5,936	-
Operating result	30,417	64,047	11,941	106,405
Closing balance as at 30 June 2018	<u>102,370</u>	<u>187,488</u>	<u>127,681</u>	<u>417,539</u>

	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)
Operating result	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>

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 2018

		CONSOLIDATED		FUND	
	Note	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Cash flows from operating activities					
Interest received		1,754	1,133	715	619
Death and disability proceeds received from insurer		244,819	231,788	244,819	231,788
Administration expenses		(92,180)	(120,484)	(155,012)	(132,825)
Borrowing costs		(39,648)	(41,116)	-	-
Insurance premiums		(283,537)	(341,431)	(283,537)	(341,431)
Income tax paid		(62,758)	94,780	(53,871)	108,493
Net cash outflows from operating activities	16	(231,550)	(175,330)	(246,886)	(133,356)
Cash flows from investing activities					
Purchase of investments		(19,932,751)	(11,182,193)	(19,429,025)	(11,222,728)
Proceeds from sale of investments		18,048,894	9,536,962	17,559,429	9,536,962
Sale/(Purchase) of fixed assets		(6,604)	(3,980)	(6,540)	(4,377)
Net cash outflows from investing activities		(1,890,461)	(1,649,211)	(1,876,136)	(1,690,143)
Cash flows from financing activities					
Employer contributions		2,826,772	2,600,422	2,826,772	2,600,422
Member contributions		360,736	469,427	390,233	469,427
Transfers from other superannuation entities received		1,343,936	997,321	1,314,439	997,321
Benefits paid to members or beneficiaries		(1,985,732)	(1,870,862)	(1,985,732)	(1,870,862)
Tax paid on contributions		(428,702)	(370,507)	(428,702)	(370,507)
Net cash inflows from financing activities		2,117,010	1,825,801	2,117,010	1,825,801
Net increase in cash		(5,001)	1,260	(6,012)	2,302
Cash at the beginning of the financial period		48,610	47,350	39,346	37,044
Cash at the end of the financial period	16	43,609	48,610	33,334	39,346

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 2018

1. Operation of the Fund

The Construction and Building Unions 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, VIC 3000.

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 18th September 2018.

(b) New accounting standards and interpretations

AASB 9 *Financial Instruments* replaces the multiple classification and measurement models in AASB139 *Financial Instruments* and is mandatory for periods commencing 1 January 2018. The Trustee does not expect this to have a significant impact on the Funds financial instruments as they are carried at fair value through the profit or loss.

AASB 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The Trustee does not expect this to have a material impact on the Fund.

(c) Consolidation

(i) 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.

(ii) 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.

(d) Financial assets and liabilities

(i) Classification

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

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

(i) Classification (continued)

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.

(ii) 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 (trade date).

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.

(iii) 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.

(iv) 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.

(v) 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'.

(e) 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.

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

(e) Fair value measurement (continued)

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).

(f) 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.

(g) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank 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.

(h) Receivables and payables

Receivables are carried at nominal amounts due, which approximate fair value. Receivables are normally settled within 30 days of recognition. Collectability of receivables is reviewed regularly and debts which are known to be uncollectable are written off by reducing the carrying amount.

Payables are carried at nominal amounts which approximate fair value. Payables include liabilities and accrued expenses owing by the fund which are unpaid as at the end of the reporting period. Payables are normally settled on 30 day terms.

(i) 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 completed 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 assets under construction until completion.

(j) Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. If significant parts of an asset have different useful lives they are accounted as separate assets.

Depreciation is calculated using the diminishing value method to allocate an asset's cost over its estimated useful life. The assets residual values and useful lives are reviewed at the end of each reporting period, and adjusted if required. The useful lives are as follows:

Leasehold Improvements	Lease term
Furniture and Fittings	5-10 years
Office Equipment	10 years
Computer Equipment	3-4 years
Motor Vehicles	8 years

Any gain or loss on disposal of an item is recognised in the Income Statement.

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

(k) 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.

(l) 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 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.

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

(m) 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.

(n) 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.

(o) 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% (2017: 0.28%) 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% (2017: 0.05%-0.25%) of the Fund net assets
- An Insurance Reserve is maintained to ensure insurance related expenditure and income are incurred and shared by insurance members and there is no impact on non-insured members for any insurance activities. The Insurance Reserve account for:
 - The Partnership Sharing Model (PSM) in place with the Fund's insurance provider, TAL Life Limited. The PSM provides a mechanism to manage the long-term fluctuations in claims experience
 - Insurance related revenue and expenditure of the fund.

(p) 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. 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.

(q) Rounding of amounts

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

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

3. Member liabilities

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

Member account balances are determined by crediting rates determined by the Trustee based on the underlying investment options selected by members.

Members bear the investment risk relating to the underlying investment options, with crediting rates updated weekly.

At 30 June 2018 \$4,195,000 (2017: \$4,330,000) 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-18	Jun-17
	\$'000	\$'000
Members benefits		
Allocated to members	(45,178,758)	(38,900,148)
Unallocated to members	(4,195)	(4,330)
Reserves	(417,539)	(311,134)
Net assets available for Members benefits	(45,600,492)	(39,215,612)

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements
For the year ended 30 June 2018

	CONSOLIDATED		FUND	
4. Financial assets and liabilities	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Financial Assets				
Cash	3,767,042	4,270,696	3,767,042	4,270,696
Credit	2,595,140	2,743,429	2,595,140	2,743,429
Derivative Assets	82,964	148,340	82,964	148,340
Fixed Interest	4,272,432	2,581,520	4,272,432	2,581,520
Australian Equities	12,442,638	10,033,533	12,442,638	10,033,533
International Equities	11,163,463	8,812,619	11,163,463	8,812,619
Alternative Assets	7,886,802	7,290,490	7,886,802	7,290,490
Externally Managed Property	2,293,659	2,105,951	2,293,659	2,105,951
Domestic Direct Property				
Cbus Property Commercial Trust	2,045,827	1,906,468	1,085,795	1,026,200
Cbus Property Industrial Trust	9,781	20,877	9,686	21,085
Cbus Property Pty Ltd	3,642	7,741	(12,552)	(9,866)
Cbus Property Residential Operations Trust	957,346	807,638	570,248	328,093
Cbus Prop Core Funding Account	(87)	265	1,465	6,577
313 Spencer Street	200,124	164,286	175,270	163,387
447 Collins Street	310,321	162,949	203,545	118,243
SESP No. 1 Unit Trust	485,057	435,008	483,762	433,895
United Super Investments Pty Ltd	46	46	46	46
USI (Breakfast Point) Pty Ltd	18,399	21,263	13,752	22,143
Cbus Property Developments No.2 Pty Ltd	13,844	1,858	-	-
Total Property	6,337,959	5,634,350	4,824,676	4,215,754
Total Financial Assets	48,548,440	41,514,977	47,035,157	40,096,381

	CONSOLIDATED		FUND	
Financial Liabilities	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Derivative Liabilities	(327,626)	(60,047)	(322,466)	(54,556)
Total Financial Liabilities	(327,626)	(60,047)	(322,466)	(54,556)

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

	CONSOLIDATED		FUND	
5. Receivables	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
GST recoverable	883	726	883	726
Other assets	3,381	2,318	3,381	2,318
Other receivables	9,839	9,313	-	-
	<u>14,103</u>	<u>12,357</u>	<u>4,264</u>	<u>3,044</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-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Computer Software				
Opening net book value	12,192	10,315	12,192	10,315
Additions and assets under construction	7,347	6,175	7,347	6,175
Disposals	(1,914)	(2,633)	(1,914)	(2,633)
Amortisation	(2,971)	(1,665)	(2,971)	(1,665)
Closing Balance	<u>14,654</u>	<u>12,192</u>	<u>14,654</u>	<u>12,192</u>

	CONSOLIDATED		FUND	
7. Plant and equipment	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Plant and equipment				
Opening net book value	2,857	2,692	2,843	2,281
Additions and assets under construction	3,145	1,740	3,081	1,723
Disposals	(1,852)	(1,290)	(1,837)	(879)
Depreciation	(318)	(285)	(318)	(282)
Total Plant and equipment	<u>3,832</u>	<u>2,857</u>	<u>3,769</u>	<u>2,843</u>

	CONSOLIDATED		FUND	
8. Payables and other liabilities	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Insurance premiums payable	(16,822)	(33,987)	(16,822)	(33,987)
Investment Manager Fees Payable	(78,291)	(20,216)	(78,291)	(20,216)
Present Value lease liability - Mitchell Piazza	(18,190)	(18,947)	(18,190)	(18,947)
Administration expenses payable	(12,365)	(16,431)	(12,365)	(16,431)
Provision for employee benefits	(8,264)	(6,982)	(6,395)	(5,235)
Other accounts payable	(46,146)	(43,571)	-	-
Cbus Property project accruals	(23,567)	(20,240)	-	-
	<u>(203,645)</u>	<u>(160,374)</u>	<u>(132,063)</u>	<u>(94,816)</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 2018

	CONSOLIDATED		FUND	
9. Changes in fair value of financial instruments	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Cash	20,605	17,564	20,605	17,564
Credit	(16,592)	27,033	(16,592)	27,033
Fixed interest securities	4,330	(57,990)	4,330	(57,990)
Australian equities	1,274,404	819,204	1,274,404	819,204
International equities	1,268,143	1,290,387	1,268,143	1,290,387
Alternative assets	280,693	394,052	280,693	394,052
Investment properties	412,271	275,228	373,215	282,226
Change in fair value of financial instruments	3,243,854	2,765,478	3,204,798	2,772,476

	CONSOLIDATED		FUND	
10. Investment expenses	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Investment managers	(196,330)	(116,597)	(196,330)	(116,597)
Custody fees	(4,365)	(4,071)	(4,365)	(4,071)
Asset consulting fees	(2,927)	(3,569)	(2,927)	(3,569)
Other investment costs	(29,818)	(21,349)	(29,818)	(21,349)
Property expenses	(74,096)	(67,314)	-	-
Total Investment Expenses	(307,536)	(212,900)	(233,440)	(145,586)

11. Funding arrangements

During the year ended 30 June 2018, 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%, (2017: 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 2018

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 \$960M (2017: \$860M) and a bank guarantee facility of \$40M (\$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, 1 William Street Unit Trust and 5 Martin Place Unit Trust.

The Club Facility tranches have expiry dates ranging from 20 December 2019 to 16 March 2025.

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 and extended to 28 February 2018. Interest was 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 was capitalised quarterly to the facility balance. The facility was secured by the property at 88 Alfred Street, Milsons Point, Sydney. As at 30 June 2018 the Development Facility has been repaid in full.

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 was 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. On 16 March 2018 \$100M was repaid and the security against 5 Martin Place released.

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. The facility is repayable by 13 March 2019. 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.

13 Spring Street

On 20 December 2017 Cbus Property RL1 Pty Ltd in its own capacity and in its capacity as Trustee of 13 Spring Street (Land) Unit Trust entered into a Facility Agreement with the ANZ Bank for \$52.5M repayable by 19 December 2019. Interest is calculated and paid on a monthly basis at a bank bill, a line fee on the total facility is paid quarterly in advance. The Facility is secured by the property located at 13 Spring Street, Melbourne.

Collingwood

On 30 November 2017 Cbus Property Collingwood Pty Ltd, in its own capacity and in its capacity as Trustee of Collingwood Unit Trust entered into a Facility Agreement with the National Australia Bank for \$68M repayable by 31 October 2019. Interest is calculated on a monthly basis at a bank bill rate plus a margin. The Facility is secured by 68 Cambridge Street, Melbourne, Victoria.

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

12. Bank debt and borrowings (continued)

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.

5 Martin Place

On 30 September 2015 Cbus Property Sydney Residential Pty Ltd in its own capacity as Trustee of Sydney Residential 2015 Unit Trust (a related entity) entered into a Facility Agreement with Commonwealth Bank Australia for \$307M. The Facility is secured by property located at Young Street, Randwick, New South Wales and 5 Martin Place, Sydney, New South Wales.

On 16th March 2018, the 5 Martin Place property was released from the Facility Agreement under Sydney Residential 2015 Unit Trust. Cbus Property Finance Pty Ltd in its own capacity has entered into a Club Facility Agreement with Commonwealth Bank of Australia, National Australia Bank and ANZ Banking Group. The 5 Martin Place Unit Trust's share of the property was subsequently included as security for the total borrowings of Cbus Property Finance Pty Ltd.

447 Collins Street

Within the original contract of sale for the 447 Collins Street development site there was a "first right of refusal" provision for the then vendor, ISPT Pty Ltd atf the Industry Superannuation Property Trust No.1 (ISPT). On 29 September 2016 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 and the loan will be extinguished on settlement of the transaction.

On 12 April 2018 Cbus Property 447 Collins Street Pty Ltd, in its own capacity and in its capacity as Trustee of 447 Collins Street Unit Trust entered into a Facility Agreement with ANZ Banking Group for \$255M and the National Australia Bank for \$255M both repayable by 1 May 2020. Interest is calculated on a monthly basis at a bank bill rate plus a margin. The Facility is secured by the property located at 447 Collins Street, Melbourne, Victoria.

	CONSOLIDATED		FUND	
	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Financing facilities				
Current liability				
CBA Loan – East Melbourne	38,379	7,438	-	-
NAB Loan - 88 Alfred Street	-	91,227	-	-
ANZ Bank Loan - Langston Place	-	65,000	-	-
CBA Loan - Sydney Residential 2015 unit Trust	207,000	-	-	-
Non current liabilities				
Secured bank loans				
CBA/NAB/ANZ Club Facility Loan - Cbus Property Finance Pty Ltd	960,000	860,000	-	-
ANZ/NAB Bank Loan - 447 Collins Street	23,665	-	-	-
ANZ Bank Loan - Langston Place	65,000	-	-	-
NAB Loan - Collingwood	9,749	-	-	-
CBA Loan - Sydney Residential 2015 unit Trust	-	307,000	-	-
ANZ Loan - 13 Spring Street	52,500	-	-	-
Other loans				
ISPT Loan - 447 Collins Street	74,747	37,913	-	-
	1,431,040	1,368,578	-	-

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

	CONSOLIDATED		FUND	
13. Income tax	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
(a) Major components of income tax expense/(benefit) for the years ended 30 June 2018 and 2017:				
Income statement				
<i>Current tax expense</i>				
Current tax charge	77,076	48,393	64,672	44,022
Adjustments in respect of current income tax expense/(benefit) of previous years	27,794	(58,371)	27,794	(58,371)
<i>Deferred tax</i>				
Relating to origination and reversal of temporary differences	234,619	199,927	210,018	199,927
Total tax expense/(benefit) as reported in the Income Statement	339,489	189,949	302,484	185,578
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable				
Operating result before income tax	4,665,266	4,158,761	4,628,261	4,154,390
Income tax at 15%	699,790	623,814	694,239	623,159
Capital (gains)/losses not (assessable)/deductible	(172,675)	(173,693)	(204,129)	(173,693)
Exempt pension income	(22,106)	(32,683)	(22,106)	(32,683)
Net imputation and foreign tax credits	(150,784)	(123,582)	(150,784)	(123,582)
Insurance premium deduction	(42,530)	(51,215)	(42,530)	(51,215)
Under/(over) provision in the previous year	27,794	(56,408)	27,794	(56,408)
Total tax expense/(benefit) as reported in the Income Statement	339,489	189,949	302,484	185,578
(c) Income tax expense/(benefit) recognised in the Statement of Changes in Member Benefits				
Contributions and Transfers-in	4,531,444	4,071,459	4,531,444	4,071,459
Tax at the complying superannuation fund rate of 15%	679,717	610,719	679,717	610,719
Non-assessable contributions	(52,043)	(65,140)	(52,043)	(65,140)
Non-assessable transfers-in	(196,382)	(148,965)	(196,382)	(148,965)
No TFN Tax	733	(2,178)	733	(2,178)
Under/(over) provision in prior year	-	(1,963)	-	(1,963)
Anti-detriment deduction	(4,601)	(7,576)	(4,601)	(7,576)
Total tax expense/(benefit) as reported in the Statement of Changes in Member Benefits	427,424	384,897	427,424	384,897

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

13. Income tax (continued)

(d) Deferred Tax

CONSOLIDATED

	Opening Balance \$'000	(Charged)/ Credited to income \$'000	Closing Balance \$'000
30 June 2018			
Deferred tax assets			
Expenses accrued but not incurred	2,911	(600)	2,311
	2,911	(600)	2,311
Deferred tax liabilities			
Unrealised (gains) / losses on investments	(696,415)	(235,219)	(931,634)
	(696,415)	(235,219)	(931,634)
Net deferred tax (liability) / asset	(693,504)	(235,819)	(929,323)

	Opening Balance \$'000	(Charged)/ Credited to income \$'000	Closing Balance \$'000
30 June 2017			
Deferred tax assets			
Expenses accrued but not incurred	2,579	332	2,911
	2,579	332	2,911
Deferred tax liabilities			
Unrealised (gains) / losses on investments	(501,289)	(195,126)	(696,415)
	(501,289)	(195,126)	(696,415)
Net deferred tax (liability) / asset	(498,710)	(194,794)	(693,504)

FUND

	Opening Balance \$'000	(Charged)/ Credited to income \$'000	Closing Balance \$'000
30 June 2018			
Deferred tax assets			
Fund expenses accrued but not incurred	5,098	(2,575)	2,523
	5,098	(2,575)	2,523
Deferred tax liabilities			
Unrealised (gains) / losses on investments	(701,513)	(207,444)	(908,957)
	(701,513)	(207,444)	(908,957)
Net deferred tax (liability) / asset	(696,415)	(210,019)	(906,434)

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

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 \$129,722,768 (2017: \$92,406,980 income tax payable) 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 2018

	CONSOLIDATED		FUND	
14. Administration and operating expenses	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Administration Fees	50,778	54,085	50,778	54,085
Audit fees	957	965	957	965
Actuarial fees	170	108	170	108
Marketing & advertising	19,299	18,549	19,299	18,549
Trustee fees and reimbursements	1,290	1,381	1,290	1,381
Other operating costs	81,543	66,274	81,543	66,274
	154,037	141,362	154,037	141,362

	CONSOLIDATED		FUND	
15. Auditors' remuneration	Jun-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Audit Services	494	516	264	288
Other Services	37	379	37	374
	531	895	301	662

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-18 \$'000	Jun-17 \$'000	Jun-18 \$'000	Jun-17 \$'000
Cash and cash equivalent	43,609	48,610	33,334	39,346

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

Profit / (loss) after income	106,405	91,483	106,405	91,483
Adjustments for:				
(Increase) / decrease in assets measured in fair value	(4,819,565)	(4,310,720)	(4,743,952)	(4,265,753)
Depreciation and impairment	3,167	1,938	3,152	1,938
(Increase) / decrease in insurance payable	(59,185)	(139,330)	(59,185)	(139,330)
(Increase) / decrease in receivables	(1,746)	1,371	(1,220)	(931)
Increase / (decrease) in payables	43,271	17,870	(20,071)	7,837
Increase / (decrease) in income tax payable	276,731	284,729	248,613	294,071
Allocation to members' accounts	4,219,372	3,877,329	4,219,372	3,877,329
Net cash outflows from operating activities	(231,550)	(175,330)	(246,886)	(133,356)

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 2018

18. Controlled entities

The parent entity is the Construction and Building Unions Superannuation Fund, which has control or significant influence of the below entities. The Fund's investments in each of its subsidiaries is detailed below:

Controlled entities	2018	2017
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%	100%
Cbus Property Developments Unit Trust	100%	100%

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 USPL during part or all the period from 1 July 2017 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 2018

Name	Director Fee /Remuneration \$	Superannuation \$	Total \$	Fees paid to
S BRACKS	146,034	13,873	159,907	Director
S BEYNON ²	49,562	4,708	54,270	Director
J DAWKINS ³	26,587	2,526	29,113	Director
B DAVIS ¹	15,971	1,517	17,488	AWU
A DONNELLAN ¹	13,689	1,301	14,990	AMWU
S DUNNE ²	153,026	14,538	167,564	Director
J EDWARDS ^{2,6}	44,793	4,255	49,048	Director
W HARNISCH ^{2,4}	36,360	3,454	39,814	MBA/Director
A HICKS ¹	6,845	650	7,495	CEPU
G KEARNEY ⁵	40,023	3,802	43,825	ACTU
P KENNEDY ²	70,096	6,659	76,755	Director
K KEYS ⁸	-	-	-	-
R MALLIA ²	53,805	5,112	58,917	CFMEU
A MCDONALD ²	88,997	8,455	97,452	Director
A MILNER ²	49,562	4,708	54,270	Director
D NOONAN ²	53,554	5,088	58,642	CFMEU
F O'GRADY ²	42,717	4,058	46,775	CFMEU/Director
E SETCHES ²	51,318	4,875	56,193	CEPU
P SMITH	58,688	5,575	64,263	Director
S SPATORE ⁸	-	-	-	-
G THOMPSON	59,657	5,667	65,324	AMWU
D WAWN ⁷	17,465	1,659	19,124	MBA
M ZELINSKY	44,998	4,275	49,273	AWU
D ATKIN ^{2,9}	674,255	25,000	699,255	CEO
Total	1,798,002	131,755	1,929,757	

¹ Alternate Director

² Member of the Fund

³ Resigned 15/06/2017

⁴ Resigned 12/12/2017

⁵ Resigned 26/03/2018

⁶ Appointed 30/10/2017

⁷ Appointed Alternate Director 30/10/2017; Appointed Director 12/12/2017

⁸ Appointed 06/07/2018; no director fees were earned for year ended 30 June 2018

⁹ Fund CEO

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

19. Related Parties (continued)

Key Management Personnel Disclosures (continued)

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 ²	51,432	4,886	56,318	Director
J DAWKINS ³	105,573	10,029	115,602	Director
B DAVIS ¹	15,904	1,511	17,415	AWU
A DONNELLAN ¹	13,556	1,288	14,844	AMWU
S DUNNE ²	152,252	14,464	166,716	Director
W HARNISCH ²	55,103	5,235	60,338	Director
A HICKS ¹	3,422	325	3,747	CEPU
G KEARNEY	55,996	5,320	61,316	ACTU
P KENNEDY ²	77,636	7,375	85,011	Director
R MALLIA ²	53,144	5,048	58,192	CFMEU
A MCDONALD ²	101,218	9,616	110,834	Director
A MILNER ²	49,217	4,676	53,893	Director
D NOONAN ²	66,536	6,321	72,857	CFMEU
F O'GRADY ²	46,936	4,459	51,395	CFMEU/Director
E SETCHES ²	52,621	4,999	57,620	CEPU
P SMITH	62,774	5,964	68,738	Director
G THOMPSON ⁵	76,894	7,305	84,199	AMWU
M ZELINSKY	51,300	4,873	56,173	AWU
D ATKIN ^{2,4}	624,884	25,000	649,884	CEO
Total	1,861,369	142,466	2,003,835	

¹ Alternate Director

² Member of the Fund

³ Resigned 15/06/2017

⁴ Fund CEO

⁵ On 17/08/2018, \$14,844 was reimbursed to United Super Pty Ltd in relation to an overpayment of director fees.

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 17.9% holding in Industry Super Holdings Pty Ltd (ISH), amounting to \$149,552,539 (2017: \$104,379,444). Industry Fund Services Pty Ltd, Industry Funds Management Pty Ltd and Industry Superannuation Australia are wholly owned subsidiaries of ISH.

USPL also has a 18.9% holding in Members Equity Bank Pty Ltd amounting to \$225,128,813 (2017: \$185,965,922). 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 \$35,660,351 (2017: \$61,904,787) 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 2018

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 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 \$2,818,006 (2017: \$2,995,387) 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 (\$20) (2017: \$718,011), IFM Australian Private Equity Fund III \$6,432,451 (2017: \$11,403,279), IFM International Private Equity Fund I \$5,101,729 (2017: \$17,991,191), IFM Australian Infrastructure \$1,469,620,807 (2017: \$1,321,476,015), IFM International Infrastructure \$1,276,794,511 (2017: \$1,081,519,847), IFM AFIF Long \$58,855,905 (2017: \$152,078,477), IFM Enhanced Indexed Australian Equities \$3,116,913,727 (2017: \$2,524,420,395), IFM Australian Private Equity Fund IV \$19,815,029 (2017: \$25,980,000), IFM International Private Equity III \$100,660,830 (2017: \$107,146,476), IFM Acorp \$931,083,632 (2017: \$915,953,920), IFM Trans Cash \$265,029,194 (2017: \$259,590,494), IFM Sub-investment Grade Debt \$230,825,456 (2017: \$178,955,382) and IFM Small Cap Absolute Return Fund \$152,721,362 (2017: \$115,888,067). 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

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 Solutions Pty Ltd

The Fund paid brokerage fees of \$1,247,616 (2017: \$1,203,117) to IFS Insurance Solutions Pty Ltd (IFSIS) during the year for the provision of insurance broking services. USPL utilises IFSIS for various insurance related services, including sourcing group life cover. IFSIS is a 65% owned subsidiary of IFS.

(g) Frontier Investment Consulting Pty Ltd

During the year, the Fund paid Frontier asset consulting fees of \$2,893,067 (2017: \$4,000,702) on normal terms and conditions. Mr D. Atkin is a Director of Frontier for which the Fund received \$14,447 (2017: \$14,164) for Director fees. The Fund has an investment amounting to \$1,852,000 in Frontier (2017: \$1,374,200).

(h) Industry Superannuation Property Trusts

USPL has an investment of \$1,325,032,951 (2017: \$1,191,606,518) in the Industry Superannuation Property Trust (Core) No.1, \$277,236 (2017: \$855,141) in Industry Superannuation Property Trust (Grosvenor) and \$55,582,038 (2017: \$48,893,535) 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.

(i) Hastings Funds Management (UTA) Utilities Trust of Australia

USPL has an investment of \$1,036,688,683 (2017: \$1,017,537,528) in Utilities Trust of Australia (UTA) which invests in infrastructure. USPL holds 1 \$1 share in Utilities of Australia Pty Ltd. Peter Kennedy is a Director of UTA and Director fees of \$75,825 were paid during the period (2017: \$71,682) by UTA.

(j) 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(n)). 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.

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

19. Related Parties (continued)

Other related party transactions (continued)

(k) 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.

(l) 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 \$18.19m (2017: \$18.94m) 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).

(m) 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 2018 is nil as the loan has been fully repaid (2017: \$11.6M). 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.

(n) 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-18 \$'000	Gross Asset Value Jun-17 \$'000	Net Asset Value Jun-18 \$'000	Net Asset Value Jun-17 \$'000
Development Projects and Sites	960,906	808,628	615,752	344,621
Joint Venture Development Projects	224,032	195,514	172,874	215,122
Income Earning Properties	2,719,886	2,479,269	1,753,572	1,554,072
Other	(11,181)	(4,012)	(11,181)	(4,012)
	3,893,643	3,479,399	2,531,017	2,109,803

Mr D Noonan, Mr A McDonald, Mr S Beynon (appointed 12/12/17), Mr W Harnisch (appointed 1/07/2017; resigned 12/12/2017) and Mr S Bracks are Directors of Cbus Property. Cbus Property makes provision for payment of Directors fees as follows:

	Jun-18 \$'000	Jun-17 \$'000
Short-term employee benefits	336	277
Post-employment benefits	22	17
	358	294

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

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

19. Related Parties (continued)

Other related party transactions (continued)

(o) 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
Direct	
140 William Street Unit Trust	Cbus Property 140 William Street 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 Pty Ltd
Pirie Street Unit Trust	Cbus Property Pirie Street Pty Ltd
Melbourne Q Unit Trust	Cbus Property Melbourne Q Pty Ltd

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 Dexu 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.

(p) 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.

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

Trust	Trustee Company
Direct	
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
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 **
13 Spring Street (Land) Unit Trust	Cbus Property RL1 Pty Ltd
13 Spring Street (Business) Unit Trust	Cbus Property RB1 Pty Ltd

* formerly 130 Elizabeth Street Unit Trust before name change

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

19. Related Parties (continued)

Other related party transactions (continued)

(q) 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.

(r) 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

Industrial Property No.1 Unit Trust

Trustee Company

Industrial Property No.1 Pty Ltd

(s) 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

313 Spencer Street Unit Trust

Trustee Company

Cbus Property 313 Spencer Street Holdings Pty Ltd

(t) 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

The Bourke Junction Trust No.1

Trustee Company

Bourke Junction No.1 Pty Ltd

(u) 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

447 Collins Street Unit Trust

Trustee Company

Cbus Property 447 Collins Street Pty Ltd

(v) 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.

(w) 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.

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2018

19. Related Parties (continued)

Other related party transactions (continued)

(x) Cbus Property Developments No.2 Pty Ltd

Cbus Property Developments No.2 Pty Ltd is a 100% held subsidiary of the Fund and has been appointed to undertake and manage the development of the 311 Spencer Street development on behalf of the joint developers and on-charges the cost of the development to the joint owners at cost.

(y) 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

(z) 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 \$1,290,086 (2017: \$1,381,201) for administration and financial management services.

(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. The amounts for 2017 below have been restated to be on an accruals basis, rather than payment, to align with the benefits received from the partnership arrangements.

	Jun-18	Jun-17
	\$	\$
Partnership Agreements		
Employer	534,843	495,208
Member	1,555,270	1,338,297
	<u>2,090,113</u>	<u>1,833,505</u>

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements
For the year ended 30 June 2018

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
30 June 2018						
Net exposure	7,476,676	597,676	862,712	1,964,474	2,218,711	13,120,248
30 June 2017						
Net exposure	6,190,554	442,664	614,604	1,528,716	1,997,021	10,773,559

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% (2017: +/- 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 2018 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 2017. 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 2018

20. Financial risk management (continued)

(a) Market Risk (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
30 June 2018						
	8.50%	(585,731)	(46,823)	(67,586)	(153,899)	(173,816)
	-8.50%	694,554	55,522	80,142	182,492	206,109
30 June 2017						
	8.50%	(484,974)	(34,679)	(48,149)	(119,761)	(156,449)
	-8.50%	575,079	41,122	57,094	142,012	185,516

(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
30 June 2018		
Financial assets and liabilities		
Cash and cash equivalents	822,785	224,967
Deposits held with broker margin accounts	66,493	-
Fixed Interest Securities	1,213,443	4,297,474
Money Market Securities	660,758	-
Futures	-	(344)
Swaps	1,054	(1,598)
Liabilities held with broker margin accounts	(4,350)	-
Net exposure	2,760,184	4,520,499
30 June 2017		
Financial assets and liabilities		
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)
Net exposure	1,290,952	4,315,921

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 \$69,166,492 (2017: \$53,265,293). 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 \$69,166,492 (2017: \$53,265,293). The analysis is performed on the same basis for 2017. 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 2018

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	2018 +/- %	2017 +/- %
Australian Equities	14	14
International Equities	13	13
Alternatives	5	6
Direct Property	10	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 \$4,346,594,949 (2017: an increase of \$3,817,659,875). An equal change in the opposite direction would have decreased the net assets available to pay member liabilities by \$4,346,594,949 (2017: a decrease of \$3,817,659,875). The impact on the net result from superannuation activities would have been an increase or decrease of \$4,346,594,949 (2017: \$3,817,659,875). 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 2018

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-18 \$'000	Jun-17 \$'000
AAA	2,524,733	1,565,300
AA+	317,692	207,554
AA	82,193	46,058
AA-	154,832	163,007
A	61,220	88,425
A+	37,790	22,970
A-	54,592	23,088
A1	417,656	247,557
A-1	35,854	53,811
A-1+	78,247	52,745
A2	16,159	7,962
A-2	546,658	769,596
A3	19,339	7,272
Aa1	33,039	95,336
Aa2	292,747	116,469
Aa3	17,346	13,573
NR	817,572	725,830
B	11,352	12,406
Ba1	2,996	3,751
Ba2	2,574	-
Ba3	4,866	-
Baa1	108,385	2,807
Baa2	172,219	109,887
Baa3	4,154	962
B1	8,628	3,997
B2	16,719	20,437
BB	23,884	13,665
BB+	11,700	-
BBB	139,838	45,192
BBB+	73,716	131,639
BBB-	82,977	101,597
	6,171,677	4,652,893

(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
30 June 2018					
Financial Assets					
Net Settled Derivatives	(239,502)	(153,756)	(4,299)	(80,904)	(543)
Net Derivative Assets	(239,502)	(153,756)	(4,299)	(80,904)	(543)
	Carrying Amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	>12 months \$'000
30 June 2017					
Financial Assets					
Net Settled Derivatives	93,784	50,357	6,899	36,236	292
Net Derivative Assets	93,784	50,357	6,899	36,236	292

The 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.

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements
For the year ended 30 June 2018

20. Financial risk management (continued)

(c) Liquidity Risk (continued)

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 2018	Carrying Amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	>12 months \$'000
Foreign currency forward contracts					
Inflows	13,706,460	7,631,212	2,253,317	3,821,931	-
(Outflows)	(13,945,962)	(7,784,968)	(2,257,616)	(3,902,835)	(543)
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)	-

(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.

CONSOLIDATED 30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
------------------------------	-------------------	-------------------	-------------------	-----------------

Financial Assets

Financial assets designated at fair value through profit and loss:

Cash	3,591,792	175,250	-	3,767,042
Credit	-	2,595,140	-	2,595,140
Derivative assets	61,230	13,068	8,666	82,964
Fixed interest securities	-	4,272,432	-	4,272,432
Australian equities	12,442,638	-	-	12,442,638
International equities	11,163,463	-	-	11,163,463
Alternative investment assets	-	-	7,886,802	7,886,802
Property	-	-	6,337,959	6,337,959
	27,259,123	7,055,890	14,233,427	48,548,440

Financial Liabilities

Financial liabilities held for trading:

Derivative Liabilities	(188,373)	(45,861)	(93,392)	(327,626)
	(188,373)	(45,861)	(93,392)	(327,626)

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements
For the year ended 30 June 2018

20. Financial risk management (continued)

(d) Fair Value Hierarchy (continued)

CONSOLIDATED 30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
------------------------------	-------------------	-------------------	-------------------	-----------------

Financial Assets

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
	23,072,543	5,482,613	12,959,821	41,514,977

Financial Liabilities

Financial liabilities held for trading:

Derivative Liabilities	(34,187)	(11,788)	(14,072)	(60,047)
	(34,187)	(11,788)	(14,072)	(60,047)

FUND 30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
----------------------	-------------------	-------------------	-------------------	-----------------

Financial Assets

Financial assets designated at fair value through profit and loss:

Cash	3,591,792	175,250	-	3,767,042
Credit	-	2,595,140	-	2,595,140
Derivative assets	61,230	13,068	8,666	82,964
Fixed interest securities	-	4,272,432	-	4,272,432
Australian equities	12,442,638	-	-	12,442,638
International equities	11,163,463	-	-	11,163,463
Alternative investment assets	-	-	7,886,802	7,886,802
Property	-	-	4,824,676	4,824,676
	27,259,123	7,055,890	12,720,144	47,035,157

Financial Liabilities

Financial liabilities held for trading:

Derivative Liabilities	(188,373)	(45,861)	(88,232)	(322,466)
	(188,373)	(45,861)	(88,232)	(322,466)

FUND 30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
----------------------	-------------------	-------------------	-------------------	-----------------

Financial Assets

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
	23,072,543	5,482,613	11,541,225	40,096,381

Financial Liabilities

Financial liabilities held for trading:

Derivative Liabilities	(34,187)	(11,788)	(8,581)	(54,556)
	(34,187)	(11,788)	(8,581)	(54,556)

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements
For the year ended 30 June 2018

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 2018 by class of financial instrument.

CONSOLIDATED 30 June 2018

	Alternative Investment Assets \$'000	Property \$'000	Derivative Financial Instruments \$'000
Opening Balance	7,290,490	5,634,350	20,909
Purchases	671,479	930,629	5,446
Sales	(400,674)	(688,365)	(2)
Transfers into/(out of) from level 3	-	-	-
Gains and losses recognised in profit or loss	325,507	461,345	(111,079)
Closing Balance	7,886,802	6,337,959	(84,726)

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

325,507	461,345	(111,079)
----------------	----------------	------------------

CONSOLIDATED 30 June 2017

	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)
Closing Balance	7,290,490	5,634,350	20,909

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

323,555	361,377	(17,178)
----------------	----------------	-----------------

The following table presents the movement in level 3 instruments for the year ended 30 June 2018 by class of financial instrument.

FUND 30 June 2018

	Alternative Investment Assets \$'000	Property \$'000	Derivative Financial Instruments \$'000
Opening Balance	7,290,490	4,215,754	26,400
Purchases	671,479	930,629	5,446
Sales	(400,674)	(688,365)	(2)
Transfers into/(out of) from level 3	-	-	-
Gains and losses recognised in profit or loss	325,507	366,658	(111,410)
Closing Balance	7,886,802	4,824,676	(79,566)

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

325,507	366,658	(111,410)
----------------	----------------	------------------

FUND 30 June 2017

	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)
Closing Balance	7,290,490	4,215,754	26,400

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

323,555	362,672	(25,567)
----------------	----------------	-----------------

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements
For the year ended 30 June 2018

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 4.8% to 6.9% (2017: 5% to 6.75%). 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 2018 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 +/- \$119,451,118 (2017: +/- \$113,247,926). The analysis is performed on the same basis for 2017.

21. Members 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 2018 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.

23. Investment commitments

	CONSOLIDATED		FUND	
	Jun-18 \$m	Jun-17 \$m	Jun-18 \$m	Jun-17 \$m
Credit	155	48	155	48
Alternative investment assets	684	772	684	772
Properties	1,504	934	1,326	1,581
	<u>2,343</u>	<u>1,754</u>	<u>2,165</u>	<u>2,401</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 \$40M (2017: \$20M) 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 2018, \$30.2M (30 June 2017: \$5.1M) of the facility was utilised.

CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Financial Statements

For the year ended 30 June 2018

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 34 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 2018 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 2018; 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, 18 September 2018

Director

Director



Independent Auditor's report on financial statements

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

Report by the RSE Auditor to 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 2018 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserve, 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 2018 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2018.

Basis for Opinion

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

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

Responsibility of the trustee for the financial statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting 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.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

PricewaterhouseCoopers, ABN 52 780 433 757

2 Riverside Quay SOUTHBANK VIC 3006, GPO BOX 1331, MELBOURNE VIC 3001

T: +61 3 8603 1000, F: +61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.




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
18 September 2018