



**CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND**

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**

**ABN 75 493 363 262**

# **CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND**

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# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Statements of Financial Position

As at 30 June 2019

As at 30 June 2019

		CONSOLIDATED		FUND	
	Notes	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
<b>Assets</b>					
Cash and cash equivalents	3(a)	35,389	43,609	28,678	33,334
Trade and other receivables	4	39,864	14,103	5,097	4,264
Financial assets	5	54,700,750	48,548,440	52,860,934	47,035,157
Property, plant and equipment	6	8,766	3,832	8,649	3,769
Intangible assets	7	48,464	14,654	48,464	14,654
Current income tax assets		914	1,783	-	-
Deferred tax assets	8(d)	2,394	2,311	-	-
<b>Total assets</b>		<b>54,836,541</b>	<b>48,628,732</b>	<b>52,951,822</b>	<b>47,091,178</b>
<b>Liabilities</b>					
Trade and other payables	9	(227,811)	(203,645)	(114,765)	(132,063)
Current income tax liabilities	8(e)	(12,826)	(134,295)	(12,628)	(129,723)
Financial liabilities	5	(280,947)	(327,626)	(249,902)	(322,466)
Borrowings	11	(1,704,297)	(1,431,040)	-	-
Deferred tax liabilities	8(d)	(1,219,153)	(931,634)	(1,183,020)	(906,434)
<b>Total liabilities excluding members' benefits</b>		<b>(3,445,034)</b>	<b>(3,028,240)</b>	<b>(1,560,315)</b>	<b>(1,490,686)</b>
<b>Net assets available for members' benefits</b>		<b>51,391,507</b>	<b>45,600,492</b>	<b>51,391,507</b>	<b>45,600,492</b>
<b>Members' liabilities</b>					
Allocated to members		(50,991,210)	(45,178,758)	(50,991,210)	(45,178,758)
Unallocated to members		(6,336)	(4,195)	(6,336)	(4,195)
Total members' liabilities	12	(50,997,546)	(45,182,953)	(50,997,546)	(45,182,953)
<b>Net assets</b>		<b>393,961</b>	<b>417,539</b>	<b>393,961</b>	<b>417,539</b>
<b>Equity</b>					
General reserve		39,538	102,370	39,538	102,370
Insurance reserve		210,527	187,488	210,527	187,488
Operational risk reserve		143,896	127,681	143,896	127,681
<b>Total equity</b>		<b>393,961</b>	<b>417,539</b>	<b>393,961</b>	<b>417,539</b>

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

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Income Statements

For the year ended 30 June 2019

		CONSOLIDATED		FUND	
	Notes	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
<b>Superannuation activities income</b>					
Interest revenue		244,028	182,861	240,056	181,822
Distribution and dividend revenue		1,884,105	1,406,320	2,016,609	1,564,900
Net changes in fair value of financial instruments	13	1,387,568	3,243,854	1,390,973	3,204,798
Other investment income		61,308	102,193	24,971	26,586
Property rental income		251,222	193,627	-	-
Other income		(6,562)	37,632	(6,562)	37,632
<b>Total superannuation activities income</b>		<b>3,821,669</b>	<b>5,166,487</b>	<b>3,666,047</b>	<b>5,015,738</b>
<b>Expenses</b>					
Investment expenses	14	(283,650)	(307,536)	(188,225)	(233,440)
Administration and operating expenses	15	(184,182)	(154,037)	(184,182)	(154,037)
Borrowing costs		(46,648)	(39,648)	-	-
<b>Total expenses</b>		<b>(514,480)</b>	<b>(501,221)</b>	<b>(372,407)</b>	<b>(387,477)</b>
<b>Result from superannuation activities before income tax (expense)/benefit</b>		<b>3,307,189</b>	<b>4,665,266</b>	<b>3,293,640</b>	<b>4,628,261</b>
income tax (expense)/benefit	8(a)	(118,536)	(339,489)	(104,987)	(302,484)
<b>Result from superannuation activities after income tax (expense)/benefit</b>		<b>3,188,653</b>	<b>4,325,777</b>	<b>3,188,653</b>	<b>4,325,777</b>
Less: Net benefits allocated to members' accounts		(3,212,231)	(4,219,372)	(3,212,231)	(4,219,372)
<b>Operating result after income tax</b>		<b>(23,578)</b>	<b>106,405</b>	<b>(23,578)</b>	<b>106,405</b>

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

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Statements of Changes in Members' Benefits

For the year ended 30 June 2019

	Notes	CONSOLIDATED		FUND	
		Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
<b>Opening balance of members' benefits</b>		<b>45,182,953</b>	<b>38,904,478</b>	<b>45,182,953</b>	<b>38,904,478</b>
Contributions received from:					
Employers		3,080,554	2,826,772	3,080,554	2,826,772
Members		452,481	390,233	452,481	390,233
Transfers from other superannuation funds		1,807,165	1,314,439	1,807,165	1,314,439
Income tax on contributions	8(c)	(475,731)	(427,424)	(475,731)	(427,424)
<b>Net after tax contributions</b>		<b>4,864,469</b>	<b>4,104,020</b>	<b>4,864,469</b>	<b>4,104,020</b>
Benefits paid to members/beneficiaries		(2,222,543)	(1,985,732)	(2,222,543)	(1,985,732)
Insurance premiums charged to members		(291,122)	(304,004)	(291,122)	(304,004)
Death and disability insurance entitlements paid to members or beneficiaries		251,558	244,819	251,558	244,819
Benefits allocated to members' accounts, comprising:					
Net investment income		3,278,466	4,280,953	3,278,466	4,280,953
Administration fees		(66,235)	(61,581)	(66,235)	(61,581)
<b>Closing balance of members' benefits</b>	12	<b>50,997,546</b>	<b>45,182,953</b>	<b>50,997,546</b>	<b>45,182,953</b>

The above Statements of Changes in Members' Benefits should be read in conjunction with the accompanying notes.

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Statements of Changes in Equity

For the year ended 30 June 2019

### CONSOLIDATED

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2018</b>	102,370	187,488	127,681	417,539
Net transfers (to)/from reserves	(6,647)	-	6,647	-
Operating result after income tax	(56,185)	23,039	9,568	(23,578)
<b>Closing balance as at 30 June 2019</b>	<b>39,538</b>	<b>210,527</b>	<b>143,896</b>	<b>393,961</b>

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2017</b>	77,889	123,441	109,804	311,134
Net transfers (to)/from reserves	(5,936)	-	5,936	-
Operating result after income tax	30,417	64,047	11,941	106,405
<b>Closing balance as at 30 June 2018</b>	<b>102,370</b>	<b>187,488</b>	<b>127,681</b>	<b>417,539</b>

### FUND

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2018</b>	102,370	187,488	127,681	417,539
Net transfers (to)/from reserves	(6,647)	-	6,647	-
Operating result after income tax	(56,185)	23,039	9,568	(23,578)
<b>Closing balance as at 30 June 2019</b>	<b>39,538</b>	<b>210,527</b>	<b>143,896</b>	<b>393,961</b>

	General reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2017</b>	77,889	123,441	109,804	311,134
Net transfers (to)/from reserves	(5,936)	-	5,936	-
Operating result after income tax	30,417	64,047	11,941	106,405
<b>Closing balance as at 30 June 2018</b>	<b>102,370</b>	<b>187,488</b>	<b>127,681</b>	<b>417,539</b>

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Statements of Cash Flows

For the year ended 30 June 2019

		CONSOLIDATED		FUND	
	Notes	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
<b>Cash flows from operating activities</b>					
Interest received		4,679	1,754	707	715
Death and disability proceeds received from insurer		251,558	244,819	251,558	244,819
Administration expenses paid		(181,319)	(92,180)	(168,216)	(155,012)
Borrowing costs paid		(46,648)	(39,648)	-	-
Insurance premiums paid		(297,684)	(283,537)	(289,261)	(283,537)
Income tax received/(paid)		46,542	(62,758)	52,746	(53,871)
<b>Net cash outflow from operating activities</b>	3(b)	<b>(222,872)</b>	<b>(231,550)</b>	<b>(152,466)</b>	<b>(246,886)</b>
<b>Cash flows from investing activities</b>					
Purchases of financial instruments		(28,601,533)	(19,932,751)	(27,449,000)	(19,429,025)
Proceeds from sale of financial instruments		26,215,703	18,048,894	24,998,543	17,559,429
Sale/(purchase) of fixed assets		(43,202)	(6,604)	(45,417)	(6,540)
<b>Net cash outflow from investing activities</b>		<b>(2,429,032)</b>	<b>(1,890,461)</b>	<b>(2,495,874)</b>	<b>(1,876,136)</b>
<b>Cash flows from financing activities</b>					
Employer contributions received		3,080,554	2,826,772	3,080,554	2,826,772
Member contributions received		424,370	360,736	452,481	390,233
Transfers from other superannuation entities received		1,835,276	1,343,936	1,807,165	1,314,439
Benefits paid to members or beneficiaries		(2,222,543)	(1,985,732)	(2,222,543)	(1,985,732)
Tax paid on contributions		(473,973)	(428,702)	(473,973)	(428,702)
<b>Net cash inflow from financing activities</b>		<b>2,643,684</b>	<b>2,117,010</b>	<b>2,643,684</b>	<b>2,117,010</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(8,220)</b>	<b>(5,001)</b>	<b>(4,656)</b>	<b>(6,012)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>43,609</b>	<b>48,610</b>	<b>33,334</b>	<b>39,346</b>
<b>Cash and cash equivalents at the end of the financial year</b>	3(a)	<b>35,389</b>	<b>43,609</b>	<b>28,678</b>	<b>33,334</b>

The above Statements 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 2019

#### 1. General information

The Construction and Building Unions Superannuation Fund (the Fund) is a superannuation fund incorporated and domiciled in Australia. The address of the Fund's registered office is Level 28, 2 Lonsdale Street, Melbourne, VIC 3000.

The consolidated financial statements of the Fund comprises the Fund and the entities it controlled at the end of, or during, the year ended 30 June 2019 (referred to hereafter as the Group). 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 (the Trustee).

#### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

##### (a) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Superannuation Industry (Supervision) Act 1993 and regulations ("SIS") and the provisions of the Trust Deed.

###### (i) Financial statement presentation

The Statements of Financial Position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and not distinguished between current and non-current.

###### (ii) Fair value measurement

These financial statements have been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The financial and presentation currency of the Fund is Australian dollars.

The financial statements for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Trustee on 17 September 2019. The Directors of the Trustee have the power to amend and reissue the financial statements.

##### (b) Basis of consolidation

###### (i) Subsidiaries

The financial statements incorporate the assets and liabilities of all subsidiaries of the Fund as at 30 June 2019 and the results of all subsidiaries for the year then ended. The Fund and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all entities over which the Group has control (refer to Note 20). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

All transactions (including gains and losses) and balances between entities in the consolidated group are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of the impairment of the asset transferred.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

###### (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.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

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

### (c) Critical accounting estimates, judgements and assumptions

In applying the Group's accounting policies management continually evaluates estimates, judgements and assumptions based on experience and other factors including expectations of future events that may have an impact on the entity. All estimates, judgements and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the estimates, judgements and assumptions.

### (d) New accounting standards and interpretations adopted by the Group

#### (i) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and financial liabilities and replaces the multiple classification and measurement models in AASB 139. The adoption of this standard did not have a material impact on the Group's accounting policies or the amounts recognised in the financial statements.

#### (ii) AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* became effective for annual periods beginning on or after 1 January 2018. The new standard replaces AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards.

The adoption of the new recognition rules has no impact on the Group's accounting policies or the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2018 that would be expected to have a material impact on the Group.

### (e) New standards, amendments and interpretations effective on or after 1 January 2019 that have not been early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period. The Trustee's directors' assessment of the impact of these new standards (to the extent relevant to the Group) and interpretations is set out below.

#### (i) AASB 16 Leases (effective for annual periods beginning on or after 1 January 2019)

AASB 16 *Leases* will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the Statements of Financial Position. The new 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 Directors' of the Trustee do not expect this to have a material impact on the financial statements of the Group.

### (f) Cash and cash equivalents

Cash and cash equivalents includes cash at bank, deposits held at call with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statements of Cash Flows, cash includes cash and cash equivalents as defined above.

### (g) Receivables and payables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

All receivables, unless otherwise stated, are non-interest bearing, unsecured and generally received within 30 days of recognition.

Collectability of receivables is reviewed regularly. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly.

Payables include liabilities and accrued expenses owing by the Group which are unpaid as at the end of the reporting period.

All payables, unless otherwise stated, are non-interest bearing, unsecured and generally paid within 30 day terms.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2019

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

#### (h) Financial assets and liabilities

##### (i) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

##### *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 9. 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, i.e. 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 Statements of Financial Position at fair value. All transaction costs for such instruments are recognised directly in the Income Statements.

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 Statements, 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 Statements. Interest earned is recorded in 'Interest revenue' according to the terms of the contract. Dividend revenue is recorded in 'Distribution and dividend revenue'.

#### (i) Fair value measurement

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

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

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

### (i) 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 19).

### (j) 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 are 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.

### (k) Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and any 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 estimated 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 Statements.

### (l) Intangible assets

#### *IT development and computer software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licences 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 computer software are recorded as assets under construction until completion.

### (m) 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% (2018: 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 members' accounts. The long-term aim is to hold a General Reserve within a range of 0.05%-0.25% (2018: 0.05%-0.25%) of the Fund's 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; and
  - Insurance related revenue and expenditure of the Fund.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

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

### (n) Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 following specific recognition criteria described below must also be met before revenue is recognised:

#### *Interest revenue*

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 Statements.

#### *Distribution and dividend revenue*

Distribution and dividend revenue are recognised when there is control over the right to receive the distribution or dividend payment.

#### *Net changes in fair value of financial instruments*

Changes in the fair value of investments and derivatives are calculated as the difference between the fair value upon sale, restructure, settlement or termination, or at the end of the reporting period, and the fair value at the end of the previous reporting period or at the date the investments and derivatives are acquired.

All changes in the fair value of investments and derivatives are recognised in the Income Statements.

#### *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.

Expenses are recognised in the Income Statements when the Group has a present obligation (legal or constructive) as a result of a past event that can be reliably measured and where the expenses do not produce future economic benefits that qualify for recognition in the Statements of Financial Position.

### (o) Income tax

The Group 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 Group's taxable income.

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss or in respect of taxable temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2019

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

#### (p) Goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the Statements of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

The Group qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence investment management fees, custodial fees and other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office (ATO).

#### (q) Foreign currency translation

##### *(i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund and its subsidiaries operates ("the functional currency"). The financial statements are presented in Australian Dollars, which is the Fund's functional and presentation currency.

##### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statements.

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 that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

#### (r) Rounding of amounts

The Group is an entity of the kind referred to in Class Order 98/100 (as amended), issued by the Australian Securities and Investments Commission (ASIC), relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 30 June 2019

### 3. Cash and cash equivalents

	CONSOLIDATED		FUND	
	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
(a) Components of cash and cash equivalents				
Cash at bank	35,389	43,609	28,678	33,334
<b>Total cash and cash equivalents</b>	<b>35,389</b>	<b>43,609</b>	<b>28,678</b>	<b>33,334</b>
(b) Reconciliation of operating result after income tax to net cash outflow from operating activities				
Operating result after income tax	(23,578)	106,405	(23,578)	106,405
<b>Change in operating assets and liabilities:</b>				
(Increase) / decrease in assets measured at fair value	(3,539,902)	(4,819,565)	(3,483,677)	(4,743,952)
(Increase) / decrease in receivables	(25,761)	(1,746)	(832)	(1,220)
Increase / (decrease) in payables	24,166	43,271	18,495	(20,071)
Increase / (decrease) in insurance premiums payable	(39,564)	(59,185)	(39,564)	(59,185)
Increase / (decrease) in income tax payable	165,078	276,731	157,732	248,613
<b>Adjustments for non-cash and non-operating items:</b>				
Depreciation and amortisation	4,458	3,167	6,727	3,152
Allocation to members' accounts	3,212,231	4,219,372	3,212,231	4,219,372
<b>Net cash outflow from operating activities</b>	<b>(222,872)</b>	<b>(231,550)</b>	<b>(152,466)</b>	<b>(246,886)</b>

### 4. Trade and other receivables

	CONSOLIDATED		FUND	
	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
Trade receivables	22,161	1,266	-	-
GST receivable	1,054	883	1,054	883
Other receivables	16,649	11,954	4,043	3,381
<b>Total trade and other receivables</b>	<b>39,864</b>	<b>14,103</b>	<b>5,097</b>	<b>4,264</b>

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 18(b).

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2019

	CONSOLIDATED		FUND	
5. Financial assets and liabilities	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
<b>Financial assets</b>				
Cash	3,738,825	3,767,042	3,738,825	3,767,042
Alternative debt (formerly credit)	2,159,681	2,595,140	2,159,681	2,595,140
Derivative assets	97,075	82,964	97,075	82,964
Fixed interest securities	6,118,832	4,272,432	6,118,832	4,272,432
Australian equities	13,445,603	12,442,638	13,445,603	12,442,638
International equities	13,025,580	11,163,463	13,025,580	11,163,463
Alternative investment assets	8,550,290	7,886,802	8,550,290	7,886,802
Investment properties:				
Externally managed properties	2,530,860	2,293,659	2,530,860	2,293,659
Domestic direct properties				
313 Spencer Street Holdings Unit Trust	234,332	200,124	198,314	175,270
447 Collins Street Holdings Unit Trust	655,109	310,321	271,358	203,545
Cbus Property Commercial Unit Trust	2,443,607	2,045,827	1,484,827	1,085,795
Cbus Property Developments No.2 Pty Ltd	4,398	13,844	-	-
Cbus Property Group Funding Unit Trust	(37)	(87)	1,976	1,465
Cbus Property Industrial Unit Trust	3	9,781	94	9,686
Cbus Property Pty Ltd	(7,282)	3,642	(12,707)	(12,552)
Cbus Property Residential Operations Unit Trust	1,190,970	957,346	737,262	570,248
SESP No.1 Unit Trust	504,940	485,057	504,437	483,762
United Super Investments Pty Ltd	46	46	46	46
USI (Breakfast Point) Pty Ltd	7,918	18,399	8,581	13,752
Total investment properties *	7,564,864	6,337,959	5,725,048	4,824,676
<b>Total financial assets</b>	<b>54,700,750</b>	<b>48,548,440</b>	<b>52,860,934</b>	<b>47,035,157</b>

	CONSOLIDATED		FUND	
	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
<b>Financial liabilities</b>				
Derivative liabilities	(280,947)	(327,626)	(249,902)	(322,466)
<b>Total financial liabilities</b>	<b>(280,947)</b>	<b>(327,626)</b>	<b>(249,902)</b>	<b>(322,466)</b>

### Investment properties valuation base

\*The following table presents the proportion of investment properties which are measured on a fair value basis.

	CONSOLIDATED		FUND	
	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
Investment properties- measured on a fair value basis	6,827,716	6,271,618	4,987,900	4,758,335
Investment properties- measured not on a fair value basis	737,148	66,341	737,148	66,341
<b>Total investment properties</b>	<b>7,564,864</b>	<b>6,337,959</b>	<b>5,725,048</b>	<b>4,824,676</b>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements

For the year ended 30 June 2019

### 6. Property, plant and equipment

#### Property, plant and equipment

	CONSOLIDATED		FUND	
	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
Opening net book value	3,832	2,857	3,769	2,843
Additions and assets under construction	6,131	3,145	6,050	3,081
Disposals and write-downs	(49)	(1,852)	(49)	(1,837)
Depreciation	(1,148)	(318)	(1,121)	(318)
<b>Total property, plant and equipment</b>	<b>8,766</b>	<b>3,832</b>	<b>8,649</b>	<b>3,769</b>

### 7. Intangible assets

#### IT development and computer software

	CONSOLIDATED		FUND	
	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
Opening net book value	14,654	12,192	14,654	12,192
Additions and assets under construction	39,524	7,347	39,524	7,347
Disposals and write-downs	(1,400)	(1,914)	(1,400)	(1,914)
Amortisation	(4,314)	(2,971)	(4,314)	(2,971)
<b>Total intangible assets</b>	<b>48,464</b>	<b>14,654</b>	<b>48,464</b>	<b>14,654</b>

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 30 June 2019

	CONSOLIDATED		FUND	
8. Income tax	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
<b>(a) Income tax expense recognised in the Income Statements</b>				
<i>Current income tax expense</i>				
Current tax on profits for the year	(159,114)	77,076	(161,146)	64,672
Adjustments for current tax of prior periods	(10,453)	27,794	(10,453)	27,794
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	288,103	234,619	276,586	210,018
<b>Total income tax expense recognised in the Income Statements</b>	<b>118,536</b>	<b>339,489</b>	<b>104,987</b>	<b>302,484</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Result from superannuation activities before income tax expense	3,307,189	4,665,266	3,293,640	4,628,261
Prima facie tax at the applicable Australian tax rate of 15% (2018: 15%)	496,078	699,790	494,046	694,239
<i>Tax effects of amounts which are not (assessable)/deductible in calculating taxable income:</i>				
Capital (gains)/losses not (assessable)/deductible	34,916	(172,675)	23,399	(204,129)
Exempt pension income	(57,368)	(22,106)	(57,368)	(22,106)
Net imputation and foreign tax credits	(301,248)	(150,784)	(301,248)	(150,784)
Insurance premium deduction	(43,389)	(42,530)	(43,389)	(42,530)
Adjustments for current tax of prior periods	(10,453)	27,794	(10,453)	27,794
<b>Total income tax expense</b>	<b>118,536</b>	<b>339,489</b>	<b>104,987</b>	<b>302,484</b>
<b>(c) Income tax on contributions recognised in the Statements of Changes in Members' Benefits</b>				
Contributions and Transfers-in	5,340,200	4,531,444	5,340,200	4,531,444
Tax at the complying superannuation fund rate of 15% (2018: 15%)	801,030	679,717	801,030	679,717
Non-assessable contributions	(55,687)	(52,043)	(55,687)	(52,043)
Non-assessable transfers-in	(269,280)	(196,382)	(269,280)	(196,382)
No TFN Tax	748	733	748	733
Anti-detriment deduction	(1,080)	(4,601)	(1,080)	(4,601)
<b>Total income tax on contributions recognised in the Statements of Changes in Members' Benefits</b>	<b>475,731</b>	<b>427,424</b>	<b>475,731</b>	<b>427,424</b>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2019

### 8. Income tax (continued)

#### (d) Deferred tax assets and liabilities

##### CONSOLIDATED

	Opening Balance \$'000	(Charged)/ Credited to income \$'000	Closing Balance \$'000
<b>30 June 2019</b>			
<b>Deferred tax assets</b>			
Expenses accrued but not incurred	2,311	83	2,394
	2,311	83	2,394
<b>Deferred tax liabilities</b>			
Unrealised (gains)/losses on investments	(931,634)	(287,519)	(1,219,153)
	(931,634)	(287,519)	(1,219,153)
<b>Net deferred tax (liability)/asset</b>	<b>(929,323)</b>	<b>(287,436)</b>	<b>(1,216,759)</b>

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

##### FUND

	Opening Balance \$'000	(Charged)/ Credited to income \$'000	Closing Balance \$'000
<b>30 June 2019</b>			
<b>Deferred tax liabilities</b>			
Unrealised (gains)/losses on investments	(906,434)	(276,586)	(1,183,020)
	(906,434)	(276,586)	(1,183,020)
<b>Net deferred tax (liability)/asset</b>	<b>(906,434)</b>	<b>(276,586)</b>	<b>(1,183,020)</b>

	Opening Balance \$'000	(Charged)/ Credited to income \$'000	Closing Balance \$'000
<b>30 June 2018</b>			
<b>Deferred tax liabilities</b>			
Unrealised (gains)/losses on investments	(696,415)	(210,019)	(906,434)
	(696,415)	(210,019)	(906,434)
<b>Net deferred tax (liability)/asset</b>	<b>(696,415)</b>	<b>(210,019)</b>	<b>(906,434)</b>

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

#### (e) Current income tax assets and liabilities

The Fund's current income tax liability of \$12,628,093 (2018: \$129,722,768) represent 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 2019

	CONSOLIDATED		FUND	
9. Trade and other payables	Jun-19	Jun-18	Jun-19	Jun-18
	\$'000	\$'000	\$'000	\$'000
Trade payables	(584)	(6,985)	-	-
Insurance premiums payable	(25,245)	(16,822)	(25,245)	(16,822)
Investment manager fees payable	(42,384)	(78,291)	(42,384)	(78,291)
Present value lease liability - Mitchell Plaza	(18,305)	(18,190)	(18,305)	(18,190)
Administration expenses payable	(20,060)	(12,365)	(20,060)	(12,365)
Provision for employee benefits	(10,983)	(8,264)	(8,771)	(6,395)
Other payables and accruals	(110,250)	(62,728)	-	-
<b>Total trade and other payables</b>	<b>(227,811)</b>	<b>(203,645)</b>	<b>(114,765)</b>	<b>(132,063)</b>

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 exposures are set out in Note 18.

## 10. Funding arrangements

During the year ended 30 June 2019, 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% (2018: 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 2019

### 11. Borrowings

	CONSOLIDATED		FUND	
	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
<b>Financing facilities</b>				
<b>Secured bank loans</b>				
CBA/NAB/ANZ/ING Bank Loan - Cbus Property Finance Pty Ltd (i)	850,000	960,000	-	-
ANZ/NAB Bank Loan - 447 Collins Street Unit Trust (ii)	276,546	23,665	-	-
ANZ Bank Loan - Langston Place Unit Trust (iii)	63,612	65,000	-	-
CBA Bank Loan - East Melbourne Unit Trust (iv)	-	38,379	-	-
CBA Bank Loan - Sydney Residential 2015 Unit Trust (v)	-	207,000	-	-
ANZ Bank Loan - Sydney Residential 2015 Unit Trust (v)	264,117	-	-	-
NAB Bank Loan - Collingwood Unit Trust (vi)	51,176	9,749	-	-
ANZ Bank Loan - 13 Spring Street (Land) Unit Trust (vii)	52,500	52,500	-	-
CBA Bank Loan - 311 Spencer Street Unit Trust (viii)	71,599	-	-	-
<b>Other loans</b>				
ISPT Loan - 447 Collins Street Unit Trust (ii)	74,747	74,747	-	-
<b>Total borrowings</b>	<b>1,704,297</b>	<b>1,431,040</b>	<b>-</b>	<b>-</b>

#### (i) Cbus Property Finance Pty Ltd

Cbus Property Finance Pty Ltd has entered into a Club Facility Agreement, for cash advance facilities of \$960M with \$850M drawn (2018: \$960M drawn) and bank guarantee facilities of \$40M, with Commonwealth Bank of Australia, National Australia Bank, Australia and New Zealand Banking Group and ING Bank Ltd (last updated November 2018). Interest is payable on the cash advance facilities at a monthly or quarterly basis at a bank bill rate plus a margin.

The Club Facility tranches have expiry dates ranging from 18 December 2019 to 28 November 2028. No tranches that are due within 12 months have been drawn.

#### (ii) 447 Collins Street Unit Trust

##### Secured bank loan

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 Australia and New Zealand Banking Group Limited for a limit of \$255M and National Australia Bank for a limit of \$255M, with both tranches 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.

##### Other loan

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 as Trustee for 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, anticipated to be early 2020. ISPT has entered into a loan funding arrangement with 447 Collins Street Unit Trust, whereby ISPT will lend money on a subordinated basis to the trust (until development facility funding was in place) in line with its progressive share of development costs and the loan will be extinguished on settlement of the transaction.

#### (iii) Langston Place Unit Trust

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 Australia and New Zealand Banking Group Limited for \$65M. On 25 February 2019 the facility limit was reduced to \$63.6M and the termination date extended to 13 September 2020. Interest is calculated on a quarterly basis at a bank bill rate plus a margin. The facility is secured by 12-22 Langston Place, Epping, New South Wales.

#### (iv) 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 the earlier of 3 months after practical completion or by 30 January 2019. The loan was repaid in full as at 30 June 2019.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 11. Borrowings (continued)

##### (v) Sydney Residential 2015 Unit Trust

On 17 December 2018 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 the Australia and New Zealand Banking Group Limited for the total facility limit of \$320.25M. The existing facility with Commonwealth Bank of Australia was repaid on the same date. Facility A (\$235M) is repayable on 19 September 2020, Facility B (\$85.25M) is repayable on 31 December 2020. Interest is calculated on a quarterly basis at a bank bill rate plus a margin. Facility A will be repaid on completion of the developments known as Stage 1A and 1, scheduled to occur pre June 2020, consequently this tranche of the loan has been classified as a current liability. The facility is secured by property located at Young Street, Randwick, New South Wales.

##### (vi) Collingwood Unit Trust

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 a limit of \$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. The development is scheduled for completion in September 2019, at which time the facility will be repaid.

##### (vii) 13 Spring Street (Land) Unit Trust

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 Australia and New Zealand Banking Group Limited for \$52.5M repayable by 1 July 2020. Interest is calculated and paid on a monthly basis at a bank bill rate, a line fee on the total facility is paid quarterly in advance. The facility is secured by the property located at 13 Spring Street, Melbourne, Victoria.

##### (viii) 311 Spencer Street Unit Trust

On 20 December 2018 Cbus Property 311 Spencer Street Pty Ltd, in its own capacity and in its capacity as Trustee of 311 Spencer Street Unit Trust entered into a Facility Agreement with Commonwealth Bank Australia for a limit of \$170M repayable the earlier of three months following practical completion or 31 July 2020. Interest is calculated on a monthly basis at a bank bill rate plus a margin. The facility is secured by the trustee's interest in 311 Spencer Street, Melbourne, Victoria.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 12. Members' liabilities

Members' liabilities are measured as the amount of accrued benefits. Defined contribution members' liabilities are measured as the amount of members' account balances as at the end of the reporting period.

Members' 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 daily.

At 30 June 2019 \$6,336,000 (2018: \$4,195,000) has not been allocated to members as at the end of the reporting period. 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' accounts as at the end of the reporting period and insurance claims payable which have not yet been paid from members' accounts.

Refer to Note 18 for the Group's management of the investment risks.

	Jun-19 \$'000	Jun-18 \$'000
<b>Members' liabilities</b>		
Allocated to members	(50,991,210)	(45,178,758)
Unallocated to members	(6,336)	(4,195)
<b>Total members' liabilities</b>	<b><u>(50,997,546)</u></b>	<b><u>(45,182,953)</u></b>

	CONSOLIDATED		FUND	
	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
<b>13. Net changes in fair value of financial instruments</b>				
Cash	13,404	20,605	13,404	20,605
Alternative debt (formerly credit)	(37,379)	(16,592)	(37,379)	(16,592)
Fixed interest securities	336,651	4,330	336,651	4,330
Australian equities	(208,276)	1,274,404	(208,276)	1,274,404
International equities	722,157	1,268,143	722,157	1,268,143
Alternative investment assets	191,894	280,693	195,494	280,693
Investment properties	369,117	412,271	368,922	373,215
<b>Net changes in fair value of financial instruments</b>	<b><u>1,387,568</u></b>	<b><u>3,243,854</u></b>	<b><u>1,390,973</u></b>	<b><u>3,204,798</u></b>

	CONSOLIDATED		FUND	
	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
<b>14. Investment expenses</b>				
Investment manager fees	(134,607)	(196,330)	(134,592)	(196,330)
Custodian fees	(4,980)	(4,365)	(4,980)	(4,365)
Asset consulting fees	(3,836)	(2,927)	(3,836)	(2,927)
Property expenses	(95,410)	(74,096)	-	-
Other investment expenses	(44,817)	(29,818)	(44,817)	(29,818)
<b>Total investment expenses</b>	<b><u>(283,650)</u></b>	<b><u>(307,536)</u></b>	<b><u>(188,225)</u></b>	<b><u>(233,440)</u></b>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

	CONSOLIDATED		FUND	
15. Administration and operating expenses	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
Administration expenses	(53,486)	(50,778)	(53,486)	(50,778)
Audit fees	(1,237)	(957)	(1,237)	(957)
Actuarial fees	(103)	(170)	(103)	(170)
Marketing and advertising	(21,215)	(19,299)	(21,215)	(19,299)
Trustee fees and reimbursements	(1,589)	(1,290)	(1,589)	(1,290)
Depreciation and amortisation	(5,462)	(3,167)	(5,435)	(3,152)
Other operating expenses	(101,090)	(78,376)	(101,117)	(78,391)
<b>Total administration and operating expenses</b>	<b>(184,182)</b>	<b>(154,037)</b>	<b>(184,182)</b>	<b>(154,037)</b>

	CONSOLIDATED		FUND	
16. Auditor's remuneration	Jun-19 \$'000	Jun-18 \$'000	Jun-19 \$'000	Jun-18 \$'000
During the year the following fees were paid or payable for services provided by the auditor of the Fund:				
<i>Amounts paid or payable to PricewaterhouseCoopers for:</i>				
Audit and review of financial statements	420	358	144	140
Other assurance services	151	147	151	147
Other services	645	-	645	-
<b>Total auditor's remuneration</b>	<b>1,216</b>	<b>505</b>	<b>940</b>	<b>287</b>

## 17. Segment information

The Fund operates solely in one reportable business segment, being the provision of superannuation benefits to members.

The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed.

Revenue is predominantly derived from interest, distributions and dividends, net changes in the fair value of financial instruments and other investment and property income.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 18. 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 foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund manages these investment risks 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 advisors 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 tables below summarise the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

	US Dollar A\$'000	GB Pound A\$'000	Jap. Yen A\$'000	EURO A\$'000	Other A\$'000	Total \$'000
<b>30 June 2019</b>						
Net exposure	8,725,779	581,167	905,336	2,432,964	3,016,683	15,661,929
<b>30 June 2018</b>						
Net exposure	7,476,676	597,676	862,712	1,964,474	2,218,711	13,120,248

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% (2018: +/- 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 2019 would have (decreased)/increased the net assets available to pay members' 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 2018. 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 2019

### 18. 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
<b>30 June 2019</b>						
	8.50%	(683,586)	(45,529)	(70,925)	(190,601)	(236,330)
	-8.50%	810,591	53,988	84,102	226,013	280,238
<b>30 June 2018</b>						
	8.50%	(585,731)	(46,823)	(67,586)	(153,899)	(173,816)
	-8.50%	694,554	55,522	80,142	182,492	206,109

##### (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 are as follows:

	Floating Interest rate \$'000	Fixed Interest rate \$'000	Non-Interest bearing \$'000	Total \$'000
<b>30 June 2019</b>				
<b>Financial assets</b>				
Cash	1,341,754	-	2,397,071	3,738,825
Alternative debt (formerly credit)	1,005,634	68,156	1,085,891	2,159,681
Derivative assets	28,160	78	68,837	97,075
Fixed interest securities	2,915	6,089,513	26,404	6,118,832
Australian equities	41,239	-	13,404,364	13,445,603
International equities	98,806	-	12,926,774	13,025,580
Alternative investment assets	379,659	-	8,170,631	8,550,290
Investment properties	5,401	-	5,719,647	5,725,048
	<b>2,903,568</b>	<b>6,157,747</b>	<b>43,799,619</b>	<b>52,860,934</b>
<b>Financial liabilities</b>				
Derivative liabilities	(59,043)	(2,190)	(188,669)	(249,902)
	<b>(59,043)</b>	<b>(2,190)</b>	<b>(188,669)</b>	<b>(249,902)</b>
<b>30 June 2018</b>				
<b>Financial assets</b>				
Cash	1,506,340	222,892	2,037,810	3,767,042
Alternative debt (formerly credit)	830,641	101,840	1,662,659	2,595,140
Derivative assets	18,169	2,549	62,246	82,964
Fixed interest securities	20,906	4,174,784	76,742	4,272,432
Australian equities	53,965	2,076	12,386,597	12,442,638
International equities	84,765	-	11,078,698	11,163,463
Alternative investment assets	255,928	20,489	7,610,385	7,886,802
Investment properties	6,831	-	4,817,845	4,824,676
	<b>2,777,545</b>	<b>4,524,630</b>	<b>39,732,982</b>	<b>47,035,157</b>
<b>Financial liabilities</b>				
Derivative liabilities	(17,361)	(4,129)	(300,976)	(322,466)
	<b>(17,361)</b>	<b>(4,129)</b>	<b>(300,976)</b>	<b>(322,466)</b>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

## 18. Financial risk management (continued)

### (ii) Interest Rate Risk (continued)

#### *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 members' liabilities and the net result from superannuation activities by \$85,952,531 (2018: \$69,166,492). A change of -0.95% in interest rates with all other variables remaining constant would have decreased the net assets available to pay members' liabilities and the net result from superannuation activities by \$85,952,531 (2018: \$69,166,492). The analysis is performed on the same basis for 2018. The impact mainly arises from the reasonably possible change in interest rates on the fair value of fixed interest securities.

### (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 Statements 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 is 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.

<b>Asset class</b>	<b>2019 +/- %</b>	<b>2018 +/- %</b>
Cash	1	1
Alternative debt (formerly credit)	3	3
Fixed interest securities	3	3
Australian equities	15	14
International equities	13	13
Alternative investment assets	5	5
Investment properties	11	10

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 members' liabilities by \$4,955,750,983 (2018: an increase of \$4,346,594,949). An equal change in the opposite direction would have decreased the net assets available to pay members' liabilities by \$4,955,750,983 (2018: an decrease of \$4,346,594,949). The impact on the net result from superannuation activities would have been an increase or decrease of \$4,955,750,983 (2018: \$4,346,594,949). The analysis is performed on the same basis for 2018. 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 2019

#### 18. Financial risk management (continued)

##### (b) Credit Risk (continued)

The fair value of financial assets included in the Statements 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 tables below.

##### 30 June 2019

AAA TO AA- \$'000	A+ to A- \$'000	A- to BBB \$'000	BBB+ to BBB- \$'000	BB+ to B- \$'000	No rating \$'000	Total \$'000
6,338,872	104,528	373,214	272,771	66,877	1,003,776	8,160,037

##### 30 June 2018

AAA TO AA- \$'000	A+ to A- \$'000	A- to BBB \$'000	BBB+ to BBB- \$'000	BB+ to B- \$'000	No rating \$'000	Total \$'000
3,500,829	642,610	546,658	581,289	82,719	817,572	6,171,677

##### (c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising cash to meet commitments associated with members' 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 tables below analyse 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.

The tables do not include the Fund's members' liabilities as it is not practicable to determine the timing of when such liabilities will be paid.

	Carrying amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	>12 months \$'000
<b>30 June 2019</b>					
<b>Financial assets</b>					
Net settled derivatives	(152,827)	(78,807)	19,004	(60,951)	(32,073)
<b>30 June 2018</b>					
<b>Financial assets</b>					
Net settled derivatives	(239,502)	(153,756)	(4,299)	(80,904)	(543)

The tables below analyse 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.

	Carrying amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	>12 months \$'000
<b>30 June 2019</b>					
<b>Foreign currency forward contracts</b>					
Inflows	17,796,018	9,982,995	3,395,329	4,417,694	-
(Outflows)	(17,948,845)	(10,061,802)	(3,376,325)	(4,478,645)	(32,073)
	<u>(152,827)</u>	<u>(78,807)</u>	<u>19,004</u>	<u>(60,951)</u>	<u>(32,073)</u>
<b>30 June 2018</b>					
<b>Foreign currency forward contracts</b>					
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)
	<u>(239,502)</u>	<u>(153,756)</u>	<u>(4,299)</u>	<u>(80,904)</u>	<u>(543)</u>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 18. Financial risk management (continued)

##### (d) Environmental, Social and Governance

Cbus has a duty to act in the best interest of our members and invest their savings responsibly. We believe companies that actively manage environmental, social and governance (ESG) risks and opportunities in their business contribute more to the global economy and are likely to generate better risk adjusted long term returns for our members.

Responsible investment is a critical part of our investment model, and our approach is guided by our Responsible Investment Policy. The Policy is reviewed at a minimum every two years by Cbus' Investment Committee.

Climate change is a complex environmental and social issue that will increasingly impact the global economy over time and as such Cbus has developed a Climate Change Position Statement to help guide the integration of climate change considerations within the broader investment framework.

We apply responsible investment including climate change across our investment options by:

- Integrating responsible investment into our direct investment decisions and when appointing and monitoring external fund managers. External fund managers are expected to integrate ESG risks and opportunities into their investment-decision making process.
- Including responsible investment outcomes in the annual reviews for our investment team.
- Being an active owner. We engage with companies we invest in to influence their behaviour and use our voting rights at company meetings to encourage more responsible practices.
- Advocating for change. As a large and growing super fund, we can use our influence to drive better outcomes.

As a signatory to the Australian Asset Owners Stewardship Code (The Code) Cbus supports the principles and guidance outlined in the Code which are designed to raise the transparency and accountability of voting, engagement, advocacy and oversight of manager's stewardship practices. We have produced a stewardship statement for public disclosure in compliance with the Code.

Cbus is also a signatory to the Principles for Responsible Investment (PRI), which establish a collective international framework for institutional investors to integrate ESG considerations into their investment decision-making.

Additionally, Cbus has identified seven of the UN Sustainable Development Goals which it believes it can invest, engage and advocate to make a difference including gender equality, affordable and clean energy, sustainable cities and climate action.

We report our climate change disclosures against the recommendations made by the Taskforce on Climate-related Financial Disclosures.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 19. Fair value hierarchy

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets/liabilities at fair value through profit or loss (refer to Note 5)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

##### (a) Fair value hierarchy

###### (i) Classification of financial assets and financial liabilities

The Fund classifies fair value measurements of financial instruments using a 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 and 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 (as prices) or indirectly (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 (unobservable inputs). This includes any instruments that are 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.

##### Recognised fair value measurements

The following tables present the Fund's assets and liabilities measured and recognised at fair value as at 30 June 2019 and 30 June 2018.

<b>CONSOLIDATED</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 June 2019</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Cash	3,527,302	211,523	-	3,738,825
Alternative debt (formerly credit)	-	2,159,681	-	2,159,681
Derivative assets	-	97,075	-	97,075
Fixed interest securities	-	6,118,832	-	6,118,832
Australian equities	13,445,603	-	-	13,445,603
International equities	13,025,580	-	-	13,025,580
Alternative investment assets	-	-	8,550,290	8,550,290
Investment properties	-	-	6,827,716	6,827,716
	<b>29,998,485</b>	<b>8,587,111</b>	<b>15,378,006</b>	<b>53,963,602</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	(280,947)	-	(280,947)
	<b>-</b>	<b>(280,947)</b>	<b>-</b>	<b>(280,947)</b>

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 30 June 2019

### 19. Fair value hierarchy (continued)

#### (a) Fair value hierarchy (continued)

<b>CONSOLIDATED</b> <b>30 June 2018</b>	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
<b>Financial assets</b>				
Cash	3,591,792	175,250	-	3,767,042
Alternative debt (formerly credit)	-	2,595,140	-	2,595,140
Derivative assets	-	82,964	-	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
Investment properties	-	-	6,271,618	6,271,618
	<b>27,197,893</b>	<b>7,125,786</b>	<b>14,158,420</b>	<b>48,482,099</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	(327,626)	-	(327,626)
	<b>-</b>	<b>(327,626)</b>	<b>-</b>	<b>(327,626)</b>
<b>FUND</b> <b>30 June 2019</b>	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
<b>Financial assets</b>				
Cash	3,527,302	211,523	-	3,738,825
Alternative debt (formerly credit)	-	2,159,681	-	2,159,681
Derivative assets	-	97,075	-	97,075
Fixed interest securities	-	6,118,832	-	6,118,832
Australian equities	13,445,603	-	-	13,445,603
International equities	13,025,580	-	-	13,025,580
Alternative investment assets	-	-	8,550,290	8,550,290
Investment properties	-	-	4,987,900	4,987,900
	<b>29,998,485</b>	<b>8,587,111</b>	<b>13,538,190</b>	<b>52,123,786</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	(249,902)	-	(249,902)
	<b>-</b>	<b>(249,902)</b>	<b>-</b>	<b>(249,902)</b>
<b>FUND</b> <b>30 June 2018</b>	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
<b>Financial assets</b>				
Cash	3,591,792	175,250	-	3,767,042
Alternative debt (formerly credit)	-	2,595,140	-	2,595,140
Derivative assets	-	82,964	-	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
Investment properties	-	-	4,758,335	4,758,335
	<b>27,197,893</b>	<b>7,125,786</b>	<b>12,645,137</b>	<b>46,968,816</b>
<b>Financial liabilities</b>				
Derivative liabilities	-	(322,466)	-	(322,466)
	<b>-</b>	<b>(322,466)</b>	<b>-</b>	<b>(322,466)</b>

# CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

## Notes to the Financial Statements

For the year ended 30 June 2019

### 19. Fair value hierarchy (continued)

#### (a) Fair value hierarchy (continued)

(ii) Transfers between levels

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

#### (b) Valuation techniques used to derive Level 2 and Level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter-derivative securities) is determined using valuation techniques. These include the use of recent arm's lengths market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

These valuation techniques maximises the use of observable market data where it is available and rely as little as possible on Fund specific estimates. If all significant inputs required to fair value an instrument are observable, the instruments is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for the Fund's alternative investment assets and investment properties.

#### (c) Fair value measurement using significant unobservable inputs (Level 3)

The following tables present the movement in Level 3 instruments for the years ended 30 June 2019 and 30 June 2018 by class of financial instrument.

#### CONSOLIDATED

30 June 2019

	Alternative Investment Assets \$'000	Investment Properties \$'000
Opening balance	7,886,802	6,271,618
Purchases	3,283,046	860,944
Sales	(2,861,392)	(1,175,498)
Transfers into/(out of) from Level 3	(42)	(670,807)
Gains and losses recognised in profit or loss	241,877	1,541,459
<b>Closing balance</b>	<b>8,550,290</b>	<b>6,827,716</b>

Total unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period

<b>241,877</b>	<b>1,541,459</b>
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#### CONSOLIDATED

30 June 2018

	Alternative Investment Assets \$'000	Investment Properties \$'000
Opening balance	7,290,490	5,568,009
Purchases	671,479	930,629
Sales	(400,674)	(688,365)
Transfers into/(out of) from Level 3	-	-
Gains and losses recognised in profit or loss	325,507	461,345
<b>Closing balance</b>	<b>7,886,802</b>	<b>6,271,618</b>

Total unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period

<b>325,507</b>	<b>461,345</b>
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## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 19. Fair value hierarchy (continued)

##### (c) Fair value measurement using significant unobservable inputs (Level 3) (continued)

###### FUND

30 June 2019

	Alternative Investment Assets \$'000	Investment Properties \$'000
Opening balance	7,886,802	4,758,335
Purchases	3,283,046	860,944
Sales	(2,861,392)	(1,175,498)
Transfers into/(out of) from Level 3	(42)	(670,807)
Gains and losses recognised in profit or loss	241,877	1,214,926
<b>Closing balance</b>	<b>8,550,290</b>	<b>4,987,900</b>

Total unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period

<b>241,877</b>	<b>1,214,926</b>
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###### FUND

30 June 2018

	Alternative Investment Assets \$'000	Investment Properties \$'000
Opening balance	7,290,490	4,149,413
Purchases	671,479	930,629
Sales	(400,674)	(688,365)
Transfers into/(out of) from Level 3	-	-
Gains and losses recognised in profit or loss	325,507	366,658
<b>Closing balance</b>	<b>7,886,802</b>	<b>4,758,335</b>

Total unrealised gains or losses recognised in profit or loss attributable to balances held at the end of the reporting period

<b>325,507</b>	<b>366,658</b>
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##### (i) Changes in valuation techniques

There have been no changes to asset valuation techniques during the year.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 19. Fair value hierarchy (continued)

##### (c) Fair value measurement using significant unobservable inputs (Level 3) (continued)

(ii) Valuation inputs and relationships to fair value

The Fund's Level 3 fair value investments comprise investments in investment properties and alternative investment assets.

The significant unobservable inputs used in Level 3 fair value measurements for the year ended 30 June 2019 and 30 June 2018 are summarised below:

#### FUND

Description	Fair value as at 30 June 2019 (\$'000)	Fair value as at 30 June 2018 (\$'000)	Valuation technique	Key Unobservable inputs*	Range of inputs (Weighted Average) 2019	Range of inputs (Weighted Average) 2018
Investment properties	2,789,019	2,607,318	Discounted Cash Flows Model	Capitalisation Rate	4.9% - 6.23% (4.08%)	4.8 %- 6.9 % (5.36%)
				Discount Rate	6.00% - 7.51% (6.61%)	4.8 %- 6.9 % (6.73%)
	2,198,881	2,151,017	External Fund Managers' Unitholder's Statements	Redemption Unit Price	\$1.1756 - \$3.5841 (\$2.0123)	\$1.1786 - \$3.4491 (\$1.9769)
	<b>4,987,900</b>	<b>4,758,335</b>				
Alternative investment assets	6,722,654	6,070,360	External Fund Managers' Unitholder's Statements	Redemption Unit Price	\$0.0100 - \$365.0000 (\$9.4574)	\$0.00874 - \$309.86 (\$100.1802)
	8,287	8,269	Independent Valuation	Price of Similar Artwork/ Auction Estimates	\$125 - \$750,000 (\$192,290)	\$150 - \$850,000 (\$192,366)
	1,819,349	1,808,173	Partner Capital's Statements	Private Equity	\$0.0m - \$248m (\$163.1m)	\$0.0m - \$243m (\$48.9m)
	<b>8,550,290</b>	<b>7,886,802</b>				

\* There were no significant inter-relationships between unobservable inputs that may materially affect the fair values.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

## 20. 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 are detailed below:

Controlled entities	2019	2018
313 Spencer Street Holdings Unit Trust	100%	100%
447 Collins Street Holdings Unit Trust	100%	100%
Cbus Forth Ports Trust	100%	-
Cbus Infrastructure Holding Trust	100%	-
Cbus Property Commercial Unit Trust	100%	100%
Cbus Property Developments No.2 Pty Ltd	100%	100%
Cbus Property Developments Unit Trust	100%	100%
Cbus Property Group Funding Unit Trust	100%	100%
Cbus Property Hospitality Unit Trust	100%	100%
Cbus Property Industrial Unit Trust	100%	100%
Cbus Property Pty Ltd	100%	100%
Cbus Property Residential Operations Unit Trust	100%	100%
Cbus Property Retail Unit Trust	100%	100%
George Street Holdings Unit Trust	100%	100%
SESP No.1 Unit Trust	100%	100%
United Super Investments Pty Ltd	100%	100%
USI (Breakfast Point) Pty Ltd	100%	100%

## 21. Related parties

### Trustee Company

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

### Key Management Personnel Disclosures

The following tables list key management personnel who held the position of Director of USPL during the year or since the end of the year end up to the date of this report along with the Chief Executive Officer of the Fund during this period. The remuneration paid to these key management personnel for services to the Board, Committees of the Board and the Fund are as follows:

#### Year ended 30 June 2019

Name	Director Fee /Remuneration \$	Superannuation \$	Total \$	Fees paid to
D ATKIN <sup>2,7</sup>	688,939	25,000	713,939	CEO
S BEYNON <sup>2</sup>	58,352	5,543	63,895	Director
S BRACKS	157,344	14,948	172,292	Director
B DAVIS <sup>1</sup>	19,807	1,882	21,689	AWU
H DAVIS <sup>3</sup>	11,629	1,105	12,734	Director
A DONNELLAN <sup>1</sup>	14,891	1,415	16,306	AMWU
S DUNNE <sup>2</sup>	164,704	15,647	180,351	Director
J EDWARDS <sup>2</sup>	113,500	10,782	124,282	Director
A HICKS <sup>1</sup>	2,635	250	2,885	CEPU
P KENNEDY <sup>2,4</sup>	59,458	5,649	65,107	Director
K KEYS <sup>6</sup>	41,670	3,959	45,629	ACTU
R MALLIA <sup>2</sup>	76,444	7,262	83,706	CFMEU
A MCDONALD <sup>2</sup>	98,400	9,348	107,748	Director
A MILNER <sup>2</sup>	55,929	5,313	61,242	Director
D NOONAN <sup>2</sup>	81,886	7,779	89,665	CFMEU
F O'GRADY <sup>2</sup>	55,858	5,307	61,165	CFMEU/Director
E SETCHES <sup>2</sup>	55,701	5,292	60,993	CEPU
P SMITH <sup>5</sup>	13,569	1,289	14,858	Director
R SPUTORE <sup>6</sup>	54,329	5,161	59,490	Director
G THOMPSON	70,800	6,726	77,526	AMWU
D WAWN	79,458	7,549	87,007	MBA
M ZELINSKY	53,294	5,063	58,357	AWU
<b>Total</b>	<b>2,028,597</b>	<b>152,269</b>	<b>2,180,866</b>	

<sup>1</sup> Alternate Director (Resigned 01/07/2019)

<sup>6</sup> Appointed 06/07/2018

<sup>2</sup> Member of the Fund

<sup>7</sup> Fund CEO

<sup>3</sup> Appointed Director 27/02/2019

<sup>4</sup> Resigned 12/12/2018

<sup>5</sup> Resigned 06/07/2018

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2019

### 21. Related parties (continued)

#### Key Management Personnel Disclosures (continued)

During the year, back payments relating to the prior year were made to the following former directors:

Name	Director Fee /Remuneration \$	Superannuation \$	Total \$	Fees paid to
W HARNISCH	568	54	622	Director
G KEARNEY	874	83	957	ACTU

#### Year ended 30 June 2018

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

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

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 JPMorgan 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 \$179,342,294 (2018: \$149,552,539). Industry Fund Services Pty Ltd, Industry Funds Management Pty Ltd and Industry Super Australia Pty Ltd are wholly owned subsidiaries of ISH.

USPL also has a 18.9% holding in Members Equity Bank Pty Ltd amounting to \$236,830,588 (2018: \$225,128,813). Members Equity Bank Pty Ltd provides banking products to superannuation fund members and others.

Members Equity Bank Pty Ltd manages Super Business Loans (SBL) and Super Home Loans (SMHL) through the Members Equity Super Loans Trust (SLT). USPL has an investment of \$30,595,885 (2018: \$35,660,351) 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 2019

### 21. 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 \$2,850,119 (2018: \$2,818,006) 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 21(a)).

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

Industry Funds Management Pty Ltd (IFM) is the investment manager of various investment products in which USPL invests. USPL has investments in IFM Australian Private Equity Fund II \$nil (2018: (\$20)), IFM Australian Private Equity Fund III \$7,349,439 (2018: \$6,432,451), IFM International Private Equity Fund I \$6,187,077 (2018: \$5,101,729), IFM Australian Infrastructure \$1,687,972,941 (2018: \$1,469,620,807), IFM International Infrastructure \$1,548,669,254 (2018: \$1,276,794,511), IFM AFIF Long \$nil (2018: \$58,855,905), IFM Enhanced Indexed Australian Equities \$3,557,996,088 (2018: \$3,116,913,727), IFM Australian Private Equity Fund IV \$19,435,015 (2018: \$19,815,029), IFM International Private Equity III \$95,460,359 (2018: \$100,660,830), IFM Acorp \$1,071,867,089 (2018: \$931,083,632), IFM Trans Cash \$271,473,008 (2018: \$265,029,194), IFM Sub-investment Grade Debt \$260,735,454 (2018: \$230,825,456), IFM Small Cap Absolute Return Fund \$63,508 (2018: \$152,721,362), IFM Buy Back \$69,123 (2018: \$nil), IFM Operational Cash \$1,733,054,591 (2018: \$nil) and IFM Australian Equity Overlay \$29,684,843 (2018: \$nil). 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 21(a)).

##### (d) Industry Super Australia Pty Ltd

Industry Super Australia Pty Ltd (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 these 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 \$1,497,418 (2018: \$1,247,616) 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 Investment Consulting Pty Ltd (Frontier) asset consulting fees of \$3,836,427 (2018: \$2,893,067) on normal terms and conditions. Mr D Atkin is a Director of Frontier for which the Fund received \$9,940 (2018: \$14,447) for Director fees. The Fund has an investment amounting to \$1,821,000 in Frontier (2018: \$1,852,000).

##### (h) Industry Superannuation Property Trusts

USPL has an investment of \$1,354,938,263 (2018: \$1,325,032,951) in the Industry Superannuation Property Trust (Core) No.1, \$232,645 (2018: \$277,236) in the Industry Superannuation Property Trust (Grosvenor) and \$57,785,824 (2018: \$55,582,038) in the Industry Superannuation Development Trust. ISPT Pty Ltd is the Trustee Company for these trusts. Mr F O'Grady is a Director of ISPT Pty Ltd and Director fees of \$66,500 were paid during the period (2018: \$59,950) by ISPT Pty Ltd. USPL holds 1 \$1 share in ISPT Pty Ltd.

##### (i) Morrison and Co. Utilities Trust of Australia

USPL has an investment of \$1,396,756,531 (2018: \$1,036,688,683) in Utilities Trust of Australia (UTA) which invests in infrastructure assets. USPL holds 1 \$1 share in Utilities of Australia Pty Ltd. Utilities of Australia Pty Ltd is the Trustee Company for Utilities Trust of Australia. Peter Kennedy is a Director of UTA and Director fees of \$39,807 were paid during the period (2018: \$75,825) 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 to Note 21(m)). 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 these Directors.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

## 21. 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 these Directors.

#### (l) 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 New South Wales for residential and commercial use.

#### Financing Agreement

On 21 June 2019 USI (Breakfast Point) Pty Ltd in its capacity as Trustee for Breakfast Point Unit Trust entered into a facility agreement with St. George Bank for a total facility limit of \$9.4M. Tranche 1 (\$4.0M) and Tranche 2 (\$5.4M) are repayable 18 months from the first drawdown date, a further Tranche 3 (\$9.4M) is applicable after the repayment of Tranche 1 and 2, and is itself repayable 24 months from the expiry of Tranches 1 and 2. Interest is charged at a margin on BBSY. As at 30 June 2019 \$31,267 (at 100% share) had been drawn on the facility.

#### (m) 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 investments in Australia on behalf of the Fund in accordance with the 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-19 \$'000	Gross Asset Value Jun-18 \$'000	Net Asset Value Jun-19 \$'000	Net Asset Value Jun-18 \$'000
Development Projects and Sites	1,316,259	960,906	757,273	615,752
Joint Venture Development Projects	406,647	224,032	259,945	172,874
Income Earning Properties	3,067,236	2,719,886	2,189,220	1,753,572
Other	(12,235)	(11,181)	(12,235)	(11,181)
	<b>4,777,907</b>	<b>3,893,643</b>	<b>3,194,203</b>	<b>2,531,017</b>

Mr D Noonan, Mr A McDonald, Mr S Beynon and Mr S Bracks are Directors of Cbus Property.

Cbus Property makes provision for payment of Directors fees as follows:

	Jun-19 \$'000	Jun-18 \$'000
Short-term employee benefits	396	336
Post-employment benefits	38	22
	<b>434</b>	<b>358</b>

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 2019

### 21. Related parties (continued)

#### Other related party transactions (continued)

##### (n) 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 the Cbus Property Commercial Unit Trust.

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

Trust	Trustee Company
<b>Direct</b>	
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	N/A
Circular Quay Developments 2015 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 property development at 1 Bligh Street, Sydney, New South Wales.

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 property development at 171 Collins Street, Melbourne, Victoria. The development comprises office and retail premises.

5 Martin Place Unit Trust has a 50% Joint Venture interest with Dexus in 5 Martin Place Joint Venture, a commercial property development at 5 Martin Place, Sydney, New South Wales. 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 property development at 1 William Street, Brisbane, Queensland. The development comprises office and 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.

##### (o) 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 under the Investment Management Agreement. Cbus Property Residential Operations Pty Ltd is the Trustee Company for the Cbus Property Residential Operations Unit Trust.

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

Trust	Trustee Company
<b>Direct</b>	
35 Spring Street Unit Trust	Cbus Property 35 Spring Street Pty Ltd
North Melbourne Unit Trust	Cbus Property North Melbourne Pty Ltd
Vision 2016 Unit Trust	Cbus Property Vision 2016 Pty Ltd
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

East Melbourne Unit Trust undertook the development of residential apartments at 22-40 Clarendon Street, East Melbourne, jointly with Brookfield Office Properties Australia Pty Ltd via Sovereign Residential Developer Pty Ltd (the jointly owned development entity). The Trust owns 5 shares in Sovereign Residential Developer Pty Ltd representing 50% of the issued share capital.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

Notes to the Financial Statements  
For the year ended 30 June 2019

### 21. Related parties (continued)

#### Other related party transactions (continued)

##### (p) 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 under the Investment Management Agreement. Cbus Property Hospitality Pty Ltd is the Trustee Company for the Cbus Property Hospitality Unit Trust.

There are no assets held within the Cbus Property Hospitality Unit Trust which is currently dormant.

##### (q) 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 under the Investment Management Agreement. Cbus Property Industrial Pty Ltd is the Trustee Company for the Cbus Property Industrial Unit Trust.

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

###### Trust

Industrial Property No.1 Unit Trust

###### Trustee Company

Industrial Property No.1 Pty Ltd

##### (r) 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 property development at 313 Spencer Street, Melbourne, Victoria, undertaken by Cbus Property under the Investment Management Agreement. Cbus Property 313 Spencer Street Holdings Pty Ltd is the Trustee Company for the 313 Spencer Street Holdings Unit Trust.

The following trust and trustee company are held 100% directly by 313 Spencer Street Holding Unit Trust.

###### Trust

313 Spencer Street Unit Trust

###### Trustee Company

Cbus Property 313 Spencer Street Pty Ltd

##### (s) 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 property development at 720 Bourke Street, Melbourne, Victoria, undertaken by Cbus Property under the Investment Management Agreement. Cbus Property SESP No.1 Pty Ltd is the Trustee Company for the SESP No.1 Unit Trust.

The following trust and trustee company are held 100% directly by SESP No.1 Unit Trust.

###### Trust

The Bourke Junction Trust No.1

###### Trustee Company

Bourke Junction No.1 Pty Ltd

##### (t) 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 property residential and hotel development at 447 Collins Street, Melbourne, Victoria undertaken by Cbus Property under the Investment Management Agreement. Cbus Property 447 Collins Street Holdings Pty Ltd is the Trustee Company for the 447 Collins Street Holdings Unit Trust.

The following trust and trustee company are 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

##### (u) 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 in relation to the commercial property development at 1 William Street, Brisbane, Queensland.

##### (v) 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 Group Funding Unit Trust is a funding vehicle which settles expenses and receipts on behalf of Cbus direct property portfolios. Transactions are administered via a series of intercompany loans with the relevant trust and head trusts.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

## 21. Related parties (continued)

### Other related party transactions (continued)

#### (w) 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 property at 311 Spencer Street, Melbourne, Victoria, on behalf of the joint developers and on-charges the cost of the development to the joint owners at cost.

#### (x) 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 trust and trustee company are held 100% directly by George Street Holdings Unit Trust.

#### Trust

George Street Holdings Unit Trust

#### Trustee Company

Cbus Property George Street Holdings Pty Ltd

#### (y) Cbus Property Retail Unit Trust

Cbus Property Retail 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 retail projects undertaken by Cbus Property under the Investment Management Agreement. Cbus Property Retail Pty Ltd is the Trustee Company for the Cbus Property Retail Unit Trust.

There are no assets held within the Cbus Property Retail Unit Trust which is currently dormant.

#### (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 \$1,589,085 (2018: \$1,290,086) 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 agreements to the Fund's seven sponsoring organisations.

	Jun-19 \$	Jun-18 \$
Partnership Agreements		
Employer	422,355	534,843
Member	1,640,793	1,555,270
	<u>2,063,148</u>	<u>2,090,113</u>

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### Notes to the Financial Statements

For the year ended 30 June 2019

#### 22. 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.

#### 23. Matters subsequent to the end of the financial year

Since 30 June 2019 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.

#### 24. Contingent assets, contingent liabilities and commitments

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 end of the reporting period, the assignee had not defaulted, therefore no liability has been recognised.

Cbus Property Finance Pty Ltd secured a \$40M (2018: \$40M) bank guarantee facility as part of the Club Facility arrangement (refer Note 11). 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 2019, \$28.2M (2018:\$30.2M) of the facility was utilised.

##### Investment commitments

The Fund has made commitments to invest in certain financial assets. Significant investment commitments contracted for at the end of the reporting period but not recognised as assets are as follows:

	CONSOLIDATED		FUND	
	Jun-19 \$m	Jun-18 \$m	Jun-19 \$m	Jun-18 \$m
Alternative debt (formerly credit)	61	155	61	155
Alternative investment assets	861	684	861	684
Investment properties	924	1,326	692	676
	<u>1,846</u>	<u>2,165</u>	<u>1,614</u>	<u>1,515</u>

There were no other contingent assets, contingent liabilities or commitments as at 30 June 2019 and 30 June 2018.

## CONSTRUCTION AND BUILDING UNIONS SUPERANNUATION FUND

### TRUSTEE'S DECLARATION

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

- (a) the accompanying financial statements and notes set out on pages 1 to 39 are in accordance with:
  - (i) Australian Accounting Standards and other mandatory professional reporting requirements, and
  - (ii) present fairly the Fund's and Consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- (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 2019; 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 the Construction and Building Unions Superannuation Fund.

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

Melbourne  
17 September 2019



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

**Independent Auditor's report approved form for an RSE which is a reporting entity<sup>1</sup>**

*Report by the RSE Auditor<sup>2</sup> to the trustee and members of Construction and Building Unions Superannuation Fund (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 2019 comprising the the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity/Reserves, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Construction and Building Unions Superannuation Fund as at 30 June 2019 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2019.

### ***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.

### ***Responsibilities 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<sup>3</sup> 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

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<sup>1</sup> APRA-regulated RSEs aside from Small APRA Funds (SAFs), as per Australian Accounting Standard AASB 1056 Preface and paragraph BC 35

<sup>2</sup> RSE Auditor as defined in Section 10 of the SIS Act.

<sup>3</sup> The Australian Accounting Standards issued by the Australian Accounting Standards Board.



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<sup>4</sup>.

### ***Auditor's responsibilities for the audit of the financial statements***

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

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

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

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<sup>4</sup> Auditing Standard ASA 570 *Going Concern*, paragraph 2



- 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*

PricewaterhouseCoopers

*David Coogan*

David Coogan  
Partner

Melbourne  
17 September 2019