



ABN 56 286 625 181

FINANCIAL STATEMENTS

For the year ended 30 June 2021

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First Super

Statement of Financial Position as at 30 June 2021

	Note	2021 \$	2020 \$
Assets			
Cash and Cash Equivalents	13	3,258,804	15,161,631
Investments	7	3,602,439,871	3,133,321,959
Plant and Equipment		600,016	703,574
Trade and Other receivables		1,034,020	400,400
Total assets		3,607,332,710	3,149,587,564
Liabilities			
Trade and other payables		(7,079,106)	(7,434,876)
Benefits payable		(749,438)	(1,431,676)
Current tax liabilities		(8,884,955)	(6,773,563)
Deferred tax liability	11	(68,951,677)	(33,893,358)
Total liabilities excluding member benefits		(85,665,177)	(49,533,473)
Net assets available for member benefits		3,521,667,534	3,100,054,091
Member benefits		3,500,987,322	3,082,146,773
Total net assets		20,680,212	17,907,318
Equity			
Operational Financial Risk Reserve	10	9,237,995	8,409,152
Administration Reserve	10	10,751,540	9,099,070
Undistributed Earnings	10	690,677	399,096
Total equity		20,680,212	17,907,318

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

First Super

Income Statement for the year ended 30 June 2021

	Note	2021	2020
		\$	\$
Superannuation activities			
Interest income		3,279,258	5,246,050
Dividends and distributions		86,026,700	122,037,331
Other income		2,224,942	2,251,949
Net changes in assets and liabilities measured at fair value	6	399,700,805	(164,395,507)
Total superannuation activities revenue		491,231,706	(34,860,177)
Direct investment expenses		(2,825,364)	(3,198,614)
Other investment expenses		(1,896,665)	(1,766,966)
Administration expenses		(12,203,206)	(11,816,922)
Other operating expenses	12	(2,367,009)	(2,490,205)
Total expenses		(19,292,244)	(19,272,707)
Results from superannuation activities before income tax expense		471,939,462	(54,132,884)
Income tax (expense)/benefit	11	(38,664,602)	16,041,453
Results from superannuation activities after income tax expense		433,274,860	(38,091,431)
Less: Net benefits allocated to members' accounts		(430,503,294)	33,785,877
Operating result after income tax		2,771,566	(4,305,554)

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

First Super

Statement of Changes in Member Benefits for the year ended 30 June 2021

	2021 \$	2020 \$
Opening balance of member benefits	3,082,146,773	3,170,494,779
Contributions:		
Employer contributions	157,105,948	153,874,490
Member contributions	17,892,199	14,481,350
Downsizer contributions	970,000	825,000
Transfers from other funds	67,012,596	91,330,854
Government Co-contributions and Low income super contributions	1,479,412	1,534,495
Income tax on contributions	(24,207,186)	(23,497,648)
Net after tax contributions	220,252,969	238,548,541
Benefits to members	(229,973,182)	(294,033,308)
Insurance premiums charged to members accounts	(17,804,033)	(18,686,712)
Death and disability benefits credited to members' accounts	15,861,500	19,609,350
Benefits allocated to members' accounts, comprising:		
Net investment income	440,742,324	(28,259,477)
Administration fees	(10,239,030)	(5,526,400)
	198,587,579	(326,896,547)
Closing balance of members benefits	3,500,987,322	3,082,146,773

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

First Super

Statement of Changes in Equity for the year ended 30 June 2021

For the year ended 30 June 2021

	Opening balance	Profit/(loss) for year	Other (insurance, anti- detriment)	Net transfers to/(from) reserve	Total Equity
	\$	\$	\$	\$	\$
Unallocated surplus/deficiency	-	2,771,566	-	(2,771,566)	-
Operational Financial Risk Reserve	8,409,152	-	-	828,843	9,237,995
Administration Reserve	9,099,070	-	1,327	1,651,142	10,751,540
Undistributed Earnings	399,096	-	-	291,581	690,677
	<u>17,907,318</u>	<u>2,771,566</u>	<u>1,327</u>	<u>-</u>	<u>20,680,212</u>

For the year ended 30 June 2020

	Opening balance	Profit/(loss) for year	Other (insurance, anti- detriment)	Net transfers to/(from) reserve	Total Equity
	\$	\$	\$	\$	\$
Unallocated surplus/deficiency	-	(4,305,553)	-	4,305,553	-
Operational Financial Risk Reserve	8,444,531	-	-	(35,379)	8,409,152
Administration Reserve	13,259,932	-	3,348	(4,164,210)	9,099,070
Undistributed Earnings	505,059	-	-	(105,963)	399,096
	<u>22,209,522</u>	<u>(4,305,553)</u>	<u>3,348</u>	<u>-</u>	<u>17,907,318</u>

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

First Super

Statement of Cash Flows for the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Interest received		866	21,529
Proceeds from group life policies		15,861,500	19,609,350
Group life premiums paid		(17,826,131)	(19,111,237)
Administration expenses paid		(14,824,549)	(13,763,067)
Investment expenses paid		(1,926,705)	(1,793,921)
Income tax paid		(7,000,328)	(4,651,182)
Net cash outflows from operating activities	14(a)	<u>(25,715,347)</u>	<u>(19,688,528)</u>
Cash flows from investing activities			
Purchase of investments		(34,000,000)	(31,500,000)
Sale of investments		53,171,479	101,978,393
Payments for fixed assets and other items		(172,777)	(49,036)
Net cash inflows/(outflows) from investing activities		<u>18,998,702</u>	<u>70,429,357</u>
Cash flows from financing activities			
Employer contributions received		157,105,948	153,874,490
Member contributions received		20,341,611	16,840,845
Transfers from other funds		67,012,596	91,330,854
Benefits paid		(214,793,920)	(273,087,778)
Group life proceeds paid to members		(15,997,100)	(19,590,150)
Lease payments for rent		(153,570)	(89,231)
Income tax paid on contributions received		(18,701,748)	(9,867,917)
Net cash inflows/(outflows) from financing activities		<u>(5,186,182)</u>	<u>(40,588,887)</u>
Net increase/(decrease) in cash		(11,902,827)	10,151,942
Cash at the beginning of the financial year		15,161,631	5,009,689
Cash at the end of the financial year		<u>3,258,804</u>	<u>15,161,631</u>

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

First Super

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Notes to the Financial Statements

1 General information

First Super (the "Fund") is a superannuation fund domiciled in Australia. The address of the Fund's registered office is Level 2, 165 Bourverie Street, Carlton VIC 3053. The Fund was established by a Trust Deed dated 25 March 1985, as amended.

For the purposes of the Superannuation Industry (Supervision) Act 1993 and its Regulations, the Fund is a defined contribution and pension fund.

The Fund provides retirement benefits for its members which are in the forest and wood products industry.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993, the Fund was registered with the Australian Prudential Regulation Authority on the 9th June 2006 (registration no. R106735).

The Trustee of the Fund is First Super Pty Ltd (RSE No L0003049).

The financial statements were authorised for issue by the Board of Directors of the Trustee on 21 September 2021.

Coronavirus (COVID-19 impact)

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had a significant impact on global economies and equity, debt and commodity markets. On 22 March 2020 the federal government announced a temporary measure due to the effects of coronavirus on the economy. This new rule allowed individuals to access up to \$10,000 of their superannuation in 2019/20 and a further \$10,000 in 2020/21. For the year ended 30 June 2021 the Fund paid out \$65,084,030 (2020: \$60,482,940) in benefits to members seeking early access to their super.

The Trustee has considered the impact of COVID-19 and other market volatility in preparing its financial statements. While the specific areas of judgement as noted in Note 2 below, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19 as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Fund's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

The impact of COVID-19 on the macro-economic outlook, including an explanation of the matters considered in determining the Fund's assumptions for the purpose of Level 3 investments has been provided in Note 2 below to the financial statements. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, these matters represent reasonable and supportable forward-looking views as at the reporting date.

Consideration of the statements of financial position and further disclosures

Key statements of financial position items and related disclosures that have been impacted by COVID-19 were as follows:

Investments

Given recent market volatility, the Trustee reviewed the appropriateness of the inputs to its valuations as well as performing out of cycle valuations. The impact of changes in valuation inputs has also been considered in terms of the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the Level 3 sensitivity analysis. The Fund's financial investments include a portfolio at unlisted equity investments which, in accordance with the Fund's accounting policies, are measured at Fair Value Through Profit and Loss (FVTPL). The determination of the investments' carrying value included a consideration of the impact of COVID-19. Refer to Note 2 for more information.

Risk management

The Trustee's robust risk management framework continues to be applied across the Funds operations and the Trustee continues to monitor the impact of COVID-19 on the Fund's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Trustee's risk management framework.

Due to COVID-19 the Trustee sees the need for liquidity as being driven by a range of interconnected factors, including:

- Decreased contributions from members and employers;
- Increased outflows from the Government's early access to superannuation provisions;
- Managing foreign currency hedging programs (including necessary liquidity to respond to any margin call requirements); and
- Members shifting into cash or defensive investment options.

The management of liquidity risk is a key element of our investment process. Our approach to managing liquidity is outlined in a series of policies which are approved by the Trustee and implemented by Management. We're focused on the effects of the global COVID-19 pandemic and are monitoring it as it unfolds, specifically:

- we actively manage each Investment Option in line with its long-term investment strategy;
- we continue to monitor and respond to global investment markets;
- we manage the Fund's cash flow on a daily basis;
- we prepare for events that may affect our liquidity position; and
- we stress-test the portfolio for a range of possible scenarios.

Notes to the Financial Statements

2 Summary of significant accounting policies

Unless covered in other notes to the financial statements, the principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies adopted are consistent with those of the prior year unless otherwise stated.

(a) Basis of preparation

The financial statement is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 1056, other applicable Accounting Standards, and the provisions of the Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial investments, derivatives and net assets available for member benefits.

(b) Financial instruments

(i) Classification

The Fund's investments are classified as at fair value through the income statement in accordance with AASB 1056.

Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification.

Financial assets that are not held for investment purposes and which may be sold are investments in exchange traded debt and equity instruments, unlisted trusts and commercial paper.

These investments are managed and their performance is evaluated on a fair values basis in accordance with the Fund's investment strategy.

(ii) Recognition/derecognition

Financial assets and financial liabilities are recognised on the date the Fund becomes party to the contractual agreement (trade date) and changes in the fair value of the financial assets or financial liabilities are recognised from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all of the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset or liability at fair value. Transaction costs are expensed in the income statement.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through income statement are measured at fair value. Gains and losses are presented in the income statement in the period in which they arise as net changes in fair value of financial instruments.

For further details on how the fair values of financial instruments are determined refer to note 4.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability at the same time.

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from investing activities as movements in the fair value of these securities represent the Fund's main income generating activity.

(d) Revenue recognition

Interest income from financial instruments that are held at fair value is determined based on the contractual coupon interest rate and includes interest from cash and cash equivalents.

Dividend and trust distribution income is recognised gross of withholding tax in the period in which the Fund's right to receive payment is established.

(e) Foreign currency translation

The functional and presentation currency of the Fund is Australian dollars (\$).

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the rate of exchange ruling at that date.

Foreign exchange differences arising on the translation are recognised in the income statement in the period in which they arise.

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

(f) Receivables

Receivable amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount. The receivable is recognised inclusive of any GST and is not discounted.

(g) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. These amounts are unsecured and are usually paid within 30 days of recognition. The payable is recognised inclusive of any GST and there is not discounted.

(h) Benefits paid/payable

Benefits paid/payable are valued at the amounts due to members at reporting date. Benefits paid/payable comprise pensions accrued at balance date and lump sum benefits of members who are due a benefit but had not been paid at balance date.

(i) Contributions received and transfers from other funds

Contributions received and transfers from other funds are recognised in the statement of changes in member benefits when control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.

(j) Use of estimates

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

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

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to note 4 for details.

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

(k) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the current or prior periods or that will effect future periods.

(l) New and amended standards not yet adopted by the Fund

There are no standards that are not yet effective and that would be expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable transactions.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Fund has an Investment Governance Statement and Manual (IGS) established by the Trustee. The IGS sets out the Trustee's policies and procedures for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

(a) Market risk

(i) Price risk

The Fund is exposed to equity securities and derivative price risk. These arise from investments held by the Fund for which prices in the future are uncertain.

The Trustee mitigates price risk through diversification and a careful selection of securities and the use of defensive hedges to manage the Fund's exposure to price risk. Compliance with the IGS and supporting investment guidelines are monitored by the Trustee on a regular basis.

At 30 June, the fair value of equities and related derivatives exposed to price risk were as follows:

	2021	2020
	\$	\$
Equities	1,130,394,392	937,139,073
Property	311,866,507	306,528,956
Infrastructure	429,607,073	386,725,338
Mandates	706,518,083	505,759,355
Net exposure to price risk	<u>2,578,386,055</u>	<u>2,136,152,722</u>

(ii) Foreign exchange risk

The Fund has assets and liabilities denominated in foreign currencies. Foreign exchange risk arises as the value securities denominated in foreign currencies will fluctuate due to changes in exchange rates.

The Fund's policy is to economically hedge a portion of the direct foreign currency exposure on the financial assets and liabilities using forward foreign exchange contracts. Compliance with the Fund's hedging policy is monitored by the Trustee on a regular basis.

The table below summarises the Fund's financial assets and liabilities which are denominated in foreign currencies.

	2021		2020	
	US dollars	Euro	US dollars	Euro
	\$	€	\$	€
Cash and cash equivalents	2,660,262	145,760	2,399,141	95,916
Investments	1,861,907	447,998	3,013,343	571,145
Net exposure to foreign exchange risk	<u>4,522,169</u>	<u>593,758</u>	<u>5,412,484</u>	<u>667,061</u>

Notes to the Financial Statements

3 Financial risk management (continued)

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The main credit risks, to which the Fund is exposed, arises from the Fund's investment in interest bearing securities. The Fund is also exposed to credit risk on derivative financial instruments, cash and cash equivalents and other receivables. The Trustee monitors the Fund's credit risk exposure on a regular basis.

(i) Fixed interest securities

The Fund invests in fixed interest securities which are rated by Standard & Poor's via the Fund's custodian. An analysis of interest bearing securities by rating is set out in the following table.

Rating	2021 \$	2020 \$
AAA to AA-	-	-
AA+ to AA-	-	-
A+ to A-	-	-
BBB+ to B-	306,803,542	228,777,716
Unrated	-	-
	<u>306,803,542</u>	<u>228,777,716</u>

(ii) Derivative financial instruments

The Trustee has established limits such that, less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty. The Fund also restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements as set out in note 5.

(iii) Settlement of securities transactions

All transactions in listed securities are settled for upon delivery using brokers approved by the Trustee. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment.

(iv) Cash and cash equivalents

The Fund's exposure to credit risk for cash and cash equivalents is considered low as all counterparties have a rating of AA- (as determined by Standard & Poor's) or higher (2020: AA-).

(v) Assets in custody

The clearing and depository for the Fund's security transactions are concentrated with one counterparty, namely BNP Paribas Securities Services, Australia branch (ARBN 87 149 440 291). BNP Paribas Securities Services is part of the global BNP Paribas group. BNP Paribas SA had a long term credit rating of A+ at 30 June 2021 (2020: A+).

(vi) Maximum exposure to credit risk

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Notes to the Financial Statements

3 Financial risk management (continued)

(d) Liquidity risk

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

The Fund is obligated to pay member benefits upon request. The Trustee's policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange.

(i) Maturities of financial liabilities

The tables below show the Fund's financial liabilities based on their contractual maturities using undiscounted cash flows. Amounts due to brokers and benefits payable are payable on demand. Liabilities to defined contribution members are payable upon request. The Fund considers it is highly unlikely that all liabilities to members would fall due at the same time.

2021	Less Than 1 Month \$	1-3 Months \$	3-6 Months \$	1-2 years \$	Total \$
Non-derivatives					
Due to brokers - payable for securities purchased	2,725,980	-	-	-	2,725,980
Benefits payable	749,438	-	-	-	749,438
Other payables	6,409,816	-	-	-	6,409,816
Defined contribution member liabilities	3,500,987,322	-	-	-	3,500,987,322
Derivatives					
Net settled derivatives	-	4,725	-	-	4,725
	<u>3,510,872,555</u>	<u>4,725</u>	<u>-</u>	<u>-</u>	<u>3,510,877,280</u>

2020	Less Than 1 Month \$	1-3 Months \$	3-6 Months \$	1-2 years \$	Total \$
Non-derivatives					
Due to brokers - payable for securities purchased	1,128,041	-	-	-	1,128,041
Benefits payable	1,431,676	-	-	-	1,431,676
Other payables	6,869,511	-	-	-	6,869,511
Defined contribution member liabilities	3,082,146,773	-	-	-	3,082,146,773
Derivatives					
Net settled derivatives	-	8,630	-	-	8,630
	<u>3,091,576,001</u>	<u>8,630</u>	<u>-</u>	<u>-</u>	<u>3,091,584,631</u>

4 Fair value measurement

Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets 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 (that is, as prices) or indirectly. The Trustee values fixed interest securities held by the Fund using broker quotes, units in unit trusts using the unit price provided by the underlying fund manager and OTC derivatives using valuation models.
- Level 3: one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values units in unit trusts classified as level 3 using the unit price provided by the underlying fund manager. These unit trusts hold illiquid investments such as unlisted property and private equity.

Notes to the Financial Statements

4 Fair value measurement (continued)

Fair value hierarchy (continued)

Recognised fair value measurements

The table below sets out the Fund's financial assets and liabilities at fair value according to the fair value hierarchy.

2021	Level 1	Level 2	Level 3	Total
Investments				
Australian Equities				
Listed Equities	4,233,771	147,721,392	-	151,955,162
Private Equity	36,322	104,109,673	132,962,980	237,108,976
International Equities				
International Share funds	19,685	737,208,283	-	737,227,969
International Private Equity	1,489,907	2,611,594	783	4,102,284
Property Funds	4,132,763	307,733,744	-	311,866,507
Australian Infrastructure	-	-	227,655,411	227,655,411
International Infrastructure	-	-	201,951,662	201,951,662
Macquarie Transition	3,964	-	-	3,964
Fixed Interest	130,058,940	488,861,374	-	618,920,314
Cash Portfolio	43,060,905	362,072,597	-	405,133,503
Ausbil Australian	251,359,403	-	-	251,359,403
Eley Griffiths Small Companies Mandate	94,233,115	-	-	94,233,115
IFM Australian Equities Mandate	360,517,941	-	-	360,517,941
Perpetual Australian Equities Mandate	77,524	-	-	77,524
IFM Australian Credit Mandate	5,136	-	321,000	326,136
Total investments	889,229,376	2,150,318,657	562,891,836	3,602,439,870

2020	Level 1	Level 2	Level 3	Total
Investments				
Australian Equities				
Listed Equities	7,024,474	112,710,476	-	119,734,950
Private Equity	2,419	111,684,626	86,640,296	198,327,341
International Equities				
International Share funds	9,181,765	605,007,264	-	614,189,029
International Private Equity	994,633	3,892,278	843	4,887,754
Property Funds	3,219,309	303,309,647	-	306,528,956
Australian Infrastructure	-	-	211,260,799	211,260,799
International Infrastructure	-	-	175,464,539	175,464,539
Fixed Interest	-	620,924,316	-	620,924,316
Cash Portfolio	113,351,951	262,892,969	-	376,244,920
Eley Griffiths Small Companies Mandate	70,203,163	-	501,409	70,704,572
IFM Australian Equities Mandate	242,843,772	-	-	242,843,772
Perpetual Australian Equities Mandate	189,815,268	-	-	189,815,268
IFM Australian Credit Mandate	2,075,223	-	320,520	2,395,743
Total investments	638,711,977	2,020,421,576	474,188,406	3,133,321,959

Notes to the Financial Statements

4 Fair value measurement (continued)

Movement in level 3 investments

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.

	2021 \$	2020 \$
Opening balance	474,188,406	89,087,449
Purchases	371,919	2,000,000
Sales	(3,242,139)	(60,663)
Transfers between levels in the fair value hierarchy	27,591,400	387,234,644
Change in fair value	63,982,250	(4,073,024)
Closing balance	<u>562,891,836</u>	<u>474,188,406</u>

Valuation inputs and relationships to fair value

The Fund's level 3 investments comprise shares in unlisted private companies. The following table summarises the quantitative information about the significant unobservable inputs used by the Trustee in level 3 fair value measurements.

	Description	Fair value at 30 June \$	Unobservable inputs	Relationship of unobservable inputs to fair value
2021	Unlisted private equity and infrastructure	562,891,836	Redemption price	Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by \$56,289,184
2020	Unlisted private equity	474,188,406	Redemption price	Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by \$47,418,841

Valuation process

The Trustee reviews valuations of the financial instruments required for financial reporting purposes, including level 3 fair values. Changes in level 2 and 3 fair values are analysed at each reporting date by the Trustee.

5 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. These amounts form part of the investment value recorded on the Statement of Financial Position. The table below shows the fair value and notional principal amount of derivative financial instruments. The fair value of derivatives shown represents the amount of unrealised gains and losses, whereas the notional amount is an aggregate exposure of all contracts.

Derivative Types	2021			2020		
	Fair Value		Contract / Notional Amount	Fair Value		Contract / Notional Amount
	Assets	(Liabilities)		Assets	(Liabilities)	
\$	\$	\$	\$	\$	\$	
Equity Futures	-	(4,725)	541,725	8,630	-	736,500
Total	-	(4,725)	541,725	8,630	-	736,500

6 Net changes in financial assets and liabilities measured at fair value:

	2021 \$	2020 \$
Australian Equities	53,572,884	(69,227,583)
International Equities	154,003,657	5,941,715
Property Funds	2,647,489	(22,582,447)
Australian Infrastructure	17,161,502	(4,379,658)
International Infrastructure	26,487,122	6,648,635
Fixed Interest	(437,178)	(8,883,831)
Cash Portfolio	(1,063,108)	(223,066)
Macquarie Transition	(128,238)	-
Ausbil Australian	57,034,506	-
Eley Griffiths Small Companies Mandate	22,835,686	(5,570,297)
IFM Australian Equities Mandate	67,615,805	(30,110,812)
Perpetual Australian Equities Mandate	18,859	(35,590,268)
IFM Australian Credit Mandate	(48,180)	(417,895)
Total	<u>399,700,805</u>	<u>(164,395,507)</u>

Notes to the Financial Statements

7 Structured entities and investments

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

The Fund considers all investments in managed investment schemes (funds) to be structured entities. The Fund invests in underlying managed funds for the purpose of capital appreciation and or earning investment income.

The investee funds' objectives are to achieve medium to long term capital growth. The investee funds invest in a number of different financial instruments, including equities and debt instruments.

The exposure to investments in investee funds at fair value, by investment class, is disclosed below:

	Fair value of investment	Fair value of investment
	2021	2020
	\$	\$
Australian Equities		
- Listed Equities	151,955,162	119,734,950
- Private Equity	237,108,976	198,327,341
International Equities		
- International Share Funds	737,227,970	614,189,027
- International Private Equity	4,102,284	4,887,754
Property Funds		
Australian Infrastructure	311,866,507	306,528,956
International Infrastructure	227,655,411	211,260,799
Macquarie Transition	201,951,662	175,464,540
Ausbil Australian	3,964	-
Eley Griffiths Small Companies Mandate	251,359,403	-
IFM Australian Equities Mandate	94,233,115	70,704,572
Perpetual Australian Equities Mandate	360,517,941	242,843,772
IFM Australian Credit Mandate	77,524	189,815,268
	326,136	2,395,743
	<u>2,578,386,055</u>	<u>2,136,152,722</u>

The Fund also holds additional investments in cash and term deposits which are not classified as investee funds. The exposure to these assets, by investment class, is disclosed below:

Fixed Interest	618,920,314	620,924,317
Cash	405,133,503	376,244,920
	<u>1,024,053,816</u>	<u>997,169,237</u>
<i>Total investments held under custody</i>	<u>3,602,439,871</u>	<u>3,133,321,959</u>

The fair value of the above financial assets is recorded as investments on the Statement of Financial Position.

The Fund's maximum exposure to loss from its interests in investee funds is equal to the total fair value of its investments in the investee funds.

During the year ended 30 June 2021, total gains incurred on investments in investee funds were \$399,700,805 (2020: loss \$164,395,507).

During the year the Fund earned fair value gains and distribution income as a result of its interests in other funds.

8 Member liabilities

Recognition and measurement of member liabilities

The entitlements of members to benefit payments are recognised as liabilities. They are measured at the amount of the accrued benefits as at the reporting date, being the benefits that the Fund is presently obliged to transfer to members or their beneficiaries in the future as a result of the membership up to the end of the reporting period.

Defined contribution member account balances are measured using crediting rates determined by the Trustee based on the underlying investment option values selected by members.

The defined contribution members bear the investment risk relating to the underlying investment options. The crediting rates used to measure defined contribution member liabilities are updated weekly for movements in investment values and credited to members either annually or upon exiting the Fund.

Notes to the Financial Statements

9 Insurance arrangements

The Fund provides death and disability benefits to its members. The Trustee has a group policy in place with a third party insurance company to insure these death and disability benefits for the members of the Fund.

The Fund collects premiums from members on behalf of the insurance company. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to members accounts and reinsurance recoveries allocated are recognised in the statement of changes in members benefits.

The Trustee determined that the Fund is not exposed to material insurance risk because:

- members (or their beneficiaries) will only receive insurance benefits if the external insurer pays the claim;
- insurance premiums are only paid through the Fund for administrative reason;, and
- insurance premiums are effectively set directly by reference to premiums set by an external insurer.

10 Reserves

(a) Operational risk financial reserve

Under APRA Prudential Standards SPS 114; Operational Risk Financial Requirements (ORFR), the Fund is expected to maintain an ORFR reserve of at least 0.25% of the Funds assets. However, the Fund's approved target level under their ORFR policy is 0.30% of funds under management. The ORFR reserve is part of the financial management of the Fund and is operated in accordance with the Operational Risk Reserve Policy which is reviewed annually. The ORFR may be used in certain circumstances to address operational risk events or claims against the fund arising from operational risk.

(b) Fund reserves

The Trustee maintains a reserve for administration and operational purposes, such as paying costs and receiving investment income. The undistributed earnings reflect the difference between the cumulative amount of investment income (net of investment expenses) allocated to members' accounts compared with the cumulative investment income (net of investment expenses) earned by the Fund.

11 Income tax

(a) Accounting policy

Under the Income Tax Assessment Act, the Fund is a complying superannuation fund. As such, a concessional tax rate of 15% is applied on net investment earnings with deductions allowable for administrative and operational expenses. Financial assets held for less than 12 months are taxed at the Fund's rate of 15%. For financial assets held for more than 12 months, the Fund is entitled to a further discount on the tax rate leading to an effective tax rate of 10% on any gains/(losses) arising from the disposal of investments.

Current tax is the expected tax payable on the estimated taxable income for the current year based on the applicable tax rate adjusted for instalment payments made to the ATO during the year and by changes in deferred tax assets and liabilities attributable to temporary differences.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise temporary differences and losses.

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 either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(b) Income tax expense	2021	2020
	\$	\$
Current Tax Expense		
Current year	1,075,375	(2,078,531)
Under/(Over) provision from prior periods	2,530,907	2,081,795
Deferred Tax Expense		
Movement in temporary differences	35,058,319	(16,044,717)
Total income tax expense/(benefit)	38,664,602	(16,041,453)

Notes to the Financial Statements

11	Income tax (continued)	2021	2020
		\$	\$
(c) Reconciliation of income tax expense to prima facie tax payable			
	Profit/(loss) before income tax	471,939,462	(54,132,884)
	Prima facie tax at the complying superannuation fund tax rate of 15%	70,790,919	(8,119,933)
	Differences between Tax and Accounting arising in Prior Periods	2,530,907	2,081,795
	Insurance premium deduction	(2,670,406)	(2,802,504)
	Franking and foreign tax credits	(7,075,136)	(10,921,715)
	Non Assessable Investment Income	(24,911,682)	3,720,904
	Income tax expense/(benefit)	38,664,602	(16,041,453)
	Income tax expense - investments	43,306,561	(11,307,471)
	Income tax benefit - administration	(4,641,959)	(4,733,982)
		38,664,602	(16,041,453)

In addition to the above, \$24,207,186 (2020: \$23,479,324) is recognised in the statement of changes in members benefits relating to tax on contributions and no-TFN tax deducted from member accounts.

(d) Deferred tax balances

Deferred tax asset relates to the following:

Accrued expenses & provisions	71,867	81,428
Annual and long service leave	74,436	58,848
Insurance premiums	203,701	207,215
Deferred Tax Asset	350,004	347,491

Deferred tax liability relates to the following:

Unrealised capital gains	(68,286,570)	(32,282,970)
Unrealised ordinary investment income	(1,015,112)	(1,957,878)
Deferred Tax Liability	(69,301,682)	(34,240,848)

Deferred tax asset/(liability)

(68,951,677)	(33,893,357)
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12 Other operating expenses

Trustee Services Fee	(720,172)	(1,046,203)
Audit fees	(486,792)	(303,217)
Sponsorship	(23,246)	(106,761)
Advertising and Marketing	(1,136,799)	(1,034,024)
Other operating expenses	(2,367,009)	(2,490,205)

13 Cash and cash equivalents

Cash at bank	3,258,804	15,161,631
	3,258,804	15,161,631

14 Reconciliation of cash flows from operating activities

(a) Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

Operating result after tax	2,771,566	(4,305,554)
Adjustments for:		
Depreciation	276,336	231,077
Investment activities via custodian	(488,289,394)	38,088,825
Lease standard adjustment	142,389	(644,212)
Net benefits allocated to members	430,503,294	(33,785,877)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(633,620)	583,658
Increase/(decrease) in payables	(196,744)	319,754
Increase/(decrease) in tax payable	31,675,456	(20,674,312)
Death and disability proceeds received from insurer	15,861,500	19,609,350
Insurance premiums paid	(17,826,131)	(19,111,237)
Net cash inflow/(outflow) from operating activities	(25,715,347)	(19,688,528)

(b) Non-cash financing activities

There were no non-cash financing activities during the year.

Notes to the Financial Statements

15 Investment commitments

The Fund has outstanding capital commitments in relation to unlisted investments contracted for as at the reporting date but not recognised as liabilities as follows:

	2021 \$	2020 \$
Asset class		
Private Equity	99,421,219	147,676,968
Infrastructure	-	-
Property	680,000	711,349
Floating Rate Debt	-	-
	<u>100,101,219</u>	<u>148,388,317</u>

16 Contingent liabilities and contingent assets

There are no outstanding contingent assets or liabilities as at 30 June 2021 (2020: nil).

17 Events occurring after the reporting period

There are no significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

18 Related party transactions

(a) Trustee

The Trustee of the Fund throughout the year was First Super Pty Ltd (ABN 42 053 498 472, RSE Licence No. L0003049). Amounts paid to the Trustee in form of fees and reimbursements are disclosed in note 12. As at 30 June 2021, \$38,167 (2020: \$71,733 payable) was recoverable to the trustee and is included in 'other payables' in the statement of financial position.

(b) Directors

Key management personnel includes persons who were directors of First Super Pty Ltd at any time during or after the financial year as follows:

Dean Brakell (appointed 01/01/2021)	Candy Broad
Robyn Burns	Denise Campbell-Burns
Timothy Chatfield	Julie George
Janet Gilbert	Lisa Marty (resigned 31/12/2020)
Scott McDine	Alex Millar (resigned 13/11/2020)
Michael O'Connor (Co-Chair)	Anthony Pavey (appointed 01/01/2021)
Mike Radda (Co-Chair)	Frank Vari

Associate Directors

Casey Thompson (appointed 01/01/2021)

(c) Other key management personnel

Other key management personnel with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year were as follows:

William Watson is the Chief Executive Officer of First Super Pty Ltd. Maxine Jacona is the Company Secretary of First Super Pty Ltd. Other senior executives of the Fund are also included in the table illustrating the compensation of key management personnel (note 18(d)).

Notes to the Financial Statements

18 Related party transactions (continued)

(d) Key management personnel compensation

Director Remuneration ¹								
Directors	Position Held	FY Year	Meeting Fees Paid and Payable	Travel allowance and other expenses paid	Total remuneration	Remuneration from related entities		Recipient Organisation/Entity
						SBA ²	Frontier ³	
Dean Brakell ⁴	Director	2020/2021	\$35,695	\$1,815	\$37,510	n/a	na	ACFA ⁵
Candy Broad	Independent Director	2020/2021	\$55,880	\$0	\$55,880	n/a	n/a	Candy Broad
		2019/2020	\$56,865	\$1,209	\$58,074			
Robyn Burns	Director	2020/2021	\$35,200	\$0	\$35,200	n/a	n/a	Robyn Burns
		2019/2020	\$39,600	\$6,203	\$45,803			
Denise Campbell - Burns	Director	2020/2021	\$38,115	\$0	\$38,115	n/a	n/a	CFMMEU ⁶
		2019/2020	\$41,745	\$1,100	\$42,845			
Timothy Chatfield	Independent Director	2020/2021	\$38,775	\$0	\$38,775	n/a	n/a	Timothy Chatfield
		2019/2020	\$42,575	\$1,000	\$43,575			
Julie George	Director	2020/2021	\$36,905	\$1,815	\$38,720	\$8,250	n/a	Busi Culture Pty Ltd
		2019/2020	\$39,930	\$11,130	\$51,060	\$6,700		
Janet Gilbert	Director	2020/2021	\$48,400	\$1,650	\$50,050	n/a	n/a	Janet Gilbert
		2019/2020	\$37,950	\$7,455	\$45,405			
Lisa Marty ⁷	Director	2020/2021	\$28,435	\$0	\$28,435	n/a	n/a	Lisa Marty
		2019/2020	\$68,244	\$5,715	\$73,959			
Scott McDine	Director	2020/2021	\$33,275	\$0	\$33,275	n/a	\$16,187	CFMMEU ⁶
		2019/2020	\$37,873	\$21,556	\$59,429	n/a	\$15,394	
Alex Millar ⁸	Director	2020/2021	\$9,075	\$0	\$9,075	n/a	n/a	CFMMEU ⁶
		2019/2020	\$39,765	\$1,100	\$40,865			
Michael O'Connor	Co-Chair	2020/2021	\$77,138	\$0	\$77,138	n/a	n/a	CFMMEU ⁶
		2019/2020	\$91,432	\$4,731	\$96,163	\$10,589		
Anthony Pavey ⁹	Director	2020/2021	\$14,520	\$1,815	\$16,335	n/a	n/a	CFMMEU ⁶
Mike Radda	Co-Chair	2020/2021	\$55,330	\$383	\$55,713	n/a	n/a	Sterad Pty Ltd
		2019/2020	\$36,300	\$1,100	\$37,400			
Casey Thompson ¹⁰	Associate Director	2020/2021	\$10,438	\$1,815	\$12,253	n/a	n/a	CFMMEU ⁶
Frank Vari	Director	2020/2021	\$41,140	\$0	\$41,140	\$3,300	n/a	CFMMEU ⁶
		2019/2020	\$34,485	\$1,710	\$36,195	n/a		

Note:

¹ The remuneration above includes GST and Superannuation where applicable. Not all directors are registered for GST.

² SBA = Super Benefits Administration Pty Ltd.

³ Frontier = Frontier Advisors Pty Ltd.

⁴ Dean Brakell was appointed as a director on 1 January 2021.

⁵ ACFA = Australian Cabinet and Furniture Association.

⁶ CFMMEU = Construction Forestry Maritime Mining & Energy Union – Manufacturing Division.

⁷ Lisa Marty resigned on 31 December 2020.

⁸ Alex Millar resigned on 13 November 2020.

⁹ Anthony Pavey was appointed as a director on 1 January 2021.

¹⁰ Casey Thompson was appointed as an associate director on 1 January 2021.

Notes to the Financial Statements

18 Related party transactions (continued)

(d) Key management personnel compensation (continued)

Executive Remuneration						
Executive Officers	Position Held	FY Year	Paid - Cash Component	Superannuation Contributions includes SG and Salary Sacrifice	Other ¹	Total remuneration
William Watson	CEO	2020/21	\$373,205	\$25,000	\$10,870	\$409,075
		2019/20	\$369,744	\$22,114	\$9,420	\$401,278
Michelle Boucher ²	Deputy CEO	2020/21	\$68,332	\$5,513	\$1,441	\$75,286
Maxine Jacona	Executive Manager - Governance	2020/21	\$194,407	\$18,468	\$4,851	\$217,726
		2019/20	\$188,652	\$18,015	\$4,584	\$211,251
Andrew Jewell	Executive Manager - Financial Advice and Education	2020/21	\$166,264	\$15,791	\$4,186	\$186,241
		2019/20	\$162,648	\$15,470	\$3,956	\$182,074
Laurie Kennedy ³	Risk Manager - Risk	2020/21	\$106,671	\$17,257	\$2,837	\$126,765
		2019/20	\$132,712	\$19,205	\$3,255	\$155,172
Brad Weldon ⁴	Executive Manager - Member and Employer Services	2020/21	\$83,111	\$7,389	-\$4,832	\$85,668
		2019/20	\$197,180	\$18,732	\$4,832	\$220,744

Note:

¹ Other includes salary sacrificed benefits and long service leave accrued in the financial year.

² Michelle Boucher was appointed on 6 April 2021.

³ Laurie Kennedy works part-time.

⁴ Brad Weldon resigned on 26 November 2020.

(e) Related party transactions

Transactions with related parties

The following Directors/officers (or former Directors/officers) of the Trustee Company are or were also members of the Fund:

Dean Brakell	Robyn Burns
Denise Campbell-Burns	Julie George
Maxine Jacona	Lisa Marty
Alex Millar	Michael O'Connor
Anthony Pavey	Mike Radda
Casey Thompson	William Watson

Superannuation contributions and benefits are determined using the same Trust Deed provisions which apply to all members.

Other Related Party Transactions:

- Frontier Advisors Ltd:

First Super owns 7% of Frontier Advisors Ltd which provides investment advisory services to the Fund at a commercial arm's length basis. The total fees paid to Frontier in the year ended 30 June 2021 were \$560,022 (2020: \$543,711). Scott McDine is a director of Frontier Advisors Ltd.

- Super Benefits Administration Pty Ltd:

First Super holds 100% of the shares of Super Benefits Administration Pty Ltd which provides administration services to the Fund on a commercial arm's length basis. These shares are held as an investment by First Super and as at 30 June 2021 are valued at \$3,975,459 (2021: \$3,565,547).

First Super also sub-lease office space from Super Benefits Administration Pty Ltd on a commercial arm's length basis. The cost for the year ended 30 June 2021 was \$164,447 (2021: \$169,119).

Separate consolidated financial statements have not been prepared as the Trustee is of the opinion that these would not be materially different from the financial statements of the Fund as an individual entity.

Julie George and Frank Vari are directors of Super Benefits Administration Pty Ltd. Michael O'Connor resigned as a director of Super Benefits Administration Pty Ltd on 5 November 2020.

	2021 \$	2020 \$
Administration fees paid/payable to Super Benefits Administration Pty Ltd	5,548,893	5,677,811
Trade & Other Payables - Administration Fees Owing/(Receivable)	17,016	-

- Construction Forestry Maritime Mining & Energy Union - Manufacturing Division (CFMMEU)

Five directors of First Super are nominated by the CFMMEU. As at 30 June 2021, there were eleven personnel on a full and part-time basis (2020: ten personnel) employed by the CFMMEU supplied on contract to First Super on a commercial arm's length basis. The total expense for the year ended 30 June 2021 was \$2,756,379 (2020: \$2,312,516).

Notes to the Financial Statements

18 Related party transactions (continued)

(e) Related party transactions (continued)

- Sponsorship

During the year ended 30 June 2021 the Fund made total sponsorship payments of \$23,246 (2020: \$106,750) for various activities and events. This included payments to shareholders in the Trustee Company as follows: CFMMEU \$10,972 (2020: \$21,945), Australian Cabinet and Furniture Association (formerly Furniture Industry Association of Australia Ltd) \$nil (2020: \$41,942) and Victorian Association of Forest Industries \$nil(2020: \$11,343).

19 Remuneration of auditors

2021
\$

2020
\$

Remuneration paid or payable for services provided by the auditor BDO Audit Pty Ltd:

Audit and review of the Financial Statements
Other Assurance Services

77,000
27,000

73,000
27,000

104,000

100,000

Trustees' declaration to the members

In the opinion of the directors of the Trustee of First Super:

(a) the accompanying financial statements and notes set out on pages 1 to 24 are in accordance with:

(i) Australian Accounting Standards and other mandatory professional reporting requirements, and

(ii) present fairly the Fund's financial position as at 30 June 2021 and of its performance for the financial year ended on that date,

(b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and its accompanying Regulations; the relevant requirements of the Corporations Act 2001 and Regulations; the requirements under section 13 of the Financial Sector (Collection of Data) Act 2001, during the year ended 30 June 2021, 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 First Super Pty Ltd (A.B.N. 42 053 498 472)

Dated in Melbourne this 21st day of September 2021.



Director



Director

INDEPENDENT AUDITOR'S REPORT

First Super (ABN 56 286 625 181)

Report by the Registrable Superannuation Entity's Auditor to the trustee and members

Opinion

I have audited the financial statements of First Super (the RSE) for the year ended 30 June 2021 comprising the statement of financial position as at 30 June 2021, the income statement, the statement of changes in members' benefits, the statement of changes in equity and the statement of cash flows for the year then ended and the trustee's declaration.

In my opinion, the financial statements present fairly, in all material aspects, in accordance with Australian Accounting Standards the financial position of First Super as at 30 June 2021 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2021.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

BDO Audit Pty Ltd




C R Jenkins

Director

Melbourne, 21 September 2021