

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Cash and cash equivalents	13(b)	10,464	13,677
Receivables	7	42,434	51,303
Currency contracts		777	-
Investments	8	1,280,330	1,206,336
Prepayments		49	1,056
Deferred tax assets	10(e)	22,564	21,986
		1,356,618	1,294,358
LIABILITIES			
Creditors and accruals	9	500	666
Currency contracts		-	2,782
Current tax liabilities	10(d)	3,901	3,994
Employee entitlements		107	95
Deferred tax liabilities	10(f)	14,378	15,437
		18,886	22,974
TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS		18,886	22,974
NET ASSETS AVAILABLE FOR MEMBER BENEFITS		1,337,732	1,271,384
MEMBER BENEFITS			
Defined contribution member liabilities	5(b)	472,472	404,172
Defined benefit member liabilities	5(c)	693,874	673,529
		1,166,346	1,077,701
NET ASSETS		171,386	193,683
EQUITY			
Defined benefits that are over funded		171,386	193,683
Unallocated surplus		-	-
		171,386	193,683
TOTAL EQUITY		171,386	193,683

This Statement should be read in conjunction with the accompanying notes.

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ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
REVENUE FROM SUPERANNUATION ACTIVITIES			
Interest revenue		1,184	1,221
Distributions from unit trusts		77,715	82,504
Net change in fair value of investments		(791)	31,527
Other investment income		1,361	1,218
Compensation income		-	75
Other income		-	1
		<hr/>	<hr/>
TOTAL SUPERANNUATION ACTIVITY REVENUE		79,469	116,546
EXPENSES			
Direct investment expenses		888	1,229
General administration expenses	11	2,816	2,708
		<hr/>	<hr/>
TOTAL EXPENSES		3,704	3,937
RESULTS FROM SUPERANNUATION ACTIVITIES BEFORE INCOME TAX			
		<hr/> 75,765	<hr/> 112,609
ALLOCATION TO MEMBER BENEFITS			
Net benefits allocated to defined contribution member accounts		36,353	21,817
Net change in defined benefit member benefits		53,230	67,348
		<hr/>	<hr/>
TOTAL ALLOCATION TO MEMBER BENEFITS		89,583	89,165
PROFIT/(LOSS) BEFORE INCOME TAX			
		<hr/> (13,818)	<hr/> 23,444
Income tax expense	10(a)(b)	1,699	6,406
		<hr/>	<hr/>
PROFIT/(LOSS) AFTER INCOME TAX		(15,517)	17,038

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Defined Contribution \$'000	Defined Benefit \$'000	Total 2019 \$'000
<u>Year ended 30 June 2019</u>				
Liability for accrued benefits beginning of period		404,172	673,529	1,077,701
CONTRIBUTION REVENUE				
Employer contributions – Employer Funding		20,722	4,611	25,333
Employer contributions – Salary Sacrifice		5,971	3,792	9,763
Member contributions		3,800	512	4,312
Government co-contributions		1	-	1
Transfers in		14,972	-	14,972
Transfers in from Defined Benefit		13,233	-	13,233
		<hr/>	<hr/>	<hr/>
Income tax on contributions	10(c)	58,699 (3,939)	8,915 (569)	67,614 (4,508)
		<hr/>	<hr/>	<hr/>
Net after tax contributions		54,760	8,346	63,106
		<hr/>	<hr/>	<hr/>
BENEFITS PAID				
Benefits paid	12	(16,389)	(9,617)	(26,006)
Pensions		(5,817)	(18,253)	(24,070)
Transfers out from Defined Benefit		-	(13,233)	(13,233)
Anti-detriment tax benefits	10(c)	-	-	-
		<hr/>	<hr/>	<hr/>
Net benefits paid		(22,206)	(41,103)	(63,309)
		<hr/>	<hr/>	<hr/>
INSURANCE				
Premiums charged to member's accounts	6	(912)	(151)	(1,063)
Claims credited to members' accounts		169	-	169
Tax benefit from deductible premiums	6,10(c)	136	23	159
		<hr/>	<hr/>	<hr/>
Net insurance cost		(607)	(128)	(735)
		<hr/>	<hr/>	<hr/>
INCOME AND EXPENSES				
Net benefits allocated to members' accounts comprising:				
Net investment income		36,441	-	36,441
Administration fees		(88)	-	(88)
Net change in defined benefit member benefits		-	53,230	53,230
		<hr/>	<hr/>	<hr/>
Net income		36,353	53,230	89,583
		<hr/>	<hr/>	<hr/>
Liability for accrued benefits at 30 June 2019		472,472	693,874	1,166,346
		<hr/>	<hr/>	<hr/>

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Defined Contribution \$'000	Defined Benefit \$'000	Total 2018 \$'000
<u>Year ended 30 June 2018</u>				
Liability for accrued benefits beginning of period		346,227	640,582	986,809
CONTRIBUTION REVENUE				
Employer contributions – Employer Funding		18,999	4,734	23,733
Employer contributions – Salary Sacrifice		5,499	3,780	9,279
Member contributions		3,370	618	3,988
Government co-contributions		2	-	2
Transfers in		12,968	-	12,968
Transfers in from Defined Benefit		15,394	-	15,394
		<hr/>	<hr/>	<hr/>
Income tax on contributions	10(c)	56,232 (2,212)	9,132 (567)	65,364 (2,779)
		<hr/>	<hr/>	<hr/>
Net after tax contributions		54,020	8,565	62,585
		<hr/>	<hr/>	<hr/>
BENEFITS PAID				
Benefits paid	12	(12,876)	(11,720)	(24,596)
Pensions		(5,133)	(15,724)	(20,857)
Transfers out from Defined Benefit		-	(15,394)	(15,394)
Anti-detriment tax benefits	10(c)	-	8	8
		<hr/>	<hr/>	<hr/>
Net benefits paid		(18,009)	(42,830)	(60,839)
		<hr/>	<hr/>	<hr/>
INSURANCE				
Premiums charged to member's accounts	6	(866)	(160)	(1,026)
Claims credited to members' accounts		853	-	853
Tax benefit from deductible premiums	6,10(c)	130	24	154
		<hr/>	<hr/>	<hr/>
Net insurance (cost)/benefit		117	(136)	(19)
		<hr/>	<hr/>	<hr/>
INCOME AND EXPENSES				
Net benefits allocated to members' accounts comprising:				
Net investment income		21,920	-	21,920
Administration fees		(103)	-	(103)
Net change in defined benefit member benefits		-	67,348	67,348
		<hr/>	<hr/>	<hr/>
Net income		21,817	67,348	89,165
		<hr/>	<hr/>	<hr/>
Liability for accrued benefits at 30 June 2018		404,172	673,529	1,077,701
		<hr/>	<hr/>	<hr/>

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Note	Defined benefits over funded \$'000	Unallocated surplus \$'000	Total Equity \$'000
<u>Year Ended 30 June 2019</u>				
Opening balance		193,683	-	193,683
Loss after income tax		(15,517)	-	(15,517)
Repatriation to employer	15(c)	(6,780)	-	(6,780)
		<hr/>	<hr/>	<hr/>
Closing balance		171,386	-	171,386
		<hr/>	<hr/>	<hr/>
<u>Year Ended 30 June 2018</u>				
Opening balance		176,645	-	176,645
Profit after income tax		17,038	-	17,038
		<hr/>	<hr/>	<hr/>
Closing balance		193,683	-	193,683
		<hr/>	<hr/>	<hr/>

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest		1,179	1,192
Trust distributions		16,395	28,333
Other investment income		135	56
Other income		-	76
Net insurance inflows/(costs)		114	(1,180)
Direct investment expenses		(718)	(521)
General administration expenses		(2,835)	(2,904)
GST Recoup		143	151
Income taxes paid		(1,699)	(6,614)
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	13(a)	12,714	18,589
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemptions of investments		140,683	93,596
Acquisition of investments		(148,011)	(119,532)
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(7,328)	(25,936)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions and Transfers in		48,248	50,023
Benefits paid		(50,067)	(45,485)
Repatriation to employer	15(c)	(6,780)	-
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(8,599)	4,538
INCREASE/(DECREASE) IN CASH HELD		(3,213)	(2,809)
CASH AT THE BEGINNING OF PERIOD		13,677	16,486
CASH AT THE END OF PERIOD	13(b)	10,464	13,677

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. REPORTING ENTITY

The Electricity Industry Superannuation Scheme ("Scheme") is involved in providing retirement benefits to its members. The Scheme was established under the *Electricity Corporations Act 1994* and is governed by that Act and the Rules of the Scheme set out in the trust deed, as amended.

The Trustee of the Scheme is Electricity Industry Superannuation Board.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements are general purpose statements which have been drawn up in accordance with Australian Accounting Standards including AASB1056 "Superannuation Entities", other applicable Accounting Standards and the provisions of the Trust Deed.

The financial statements were approved by the Board of the Trustee, Electricity Industry Superannuation Board, on 27 September 2019.

(b) Basis of Measurement

The financial statements have been measured on a Fair Value basis, with the exception of member liabilities and tax assets and liabilities.

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting assumptions and estimates. It also requires the Trustee and management to exercise judgement in the process of applying the entity's accounting policies and reported amounts of assets, 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.

There are no critical accounting estimates and judgements contained in these financial statements other than those used to determine the liability for accrued benefits as detailed in Note 5.

(e) New and amended standards adopted during the year

The following new and revised Standards and Interpretations have been adopted in the financial statements. Their adoption has not had significant financial or disclosure impact on these financial statements.

AASB 9 *Financial Instruments* became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB139.

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

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

The revenue of the Scheme is primarily from investing activities. The adoption of AASB 15 *Revenue from Contracts with Customers* has no impact on the recognition of revenue by the Fund.

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. BASIS OF PREPARATION (CONTINUED)

(i) New Standards and Interpretations not yet Adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Scheme. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. The Standard that may be relevant to the Scheme is AASB 16 *Leases* and the details are set out below.

AASB 16 removes the lease classification test for lessees and requires all leases (including operating leases) to be brought to account onto the balance sheet.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 *Revenue from Contracts with Customers* is adopted at the same time. The Scheme does not expect any significant impact on its financial statements resulting from the application of AASB 16.

3. FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Valuation models

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or broker quotations. For all other financial instruments, the Trustee determines the fair value using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair values are categorised into different values in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Valuation framework

The Scheme has an established control framework with respect to the measurement of fair values. The framework includes a portfolio valuation function, which is independent to the Scheme's management and reports to the Board of directors, who have overall responsibility for fair value measurements. Specific controls include:

- Verification of observable pricing inputs
- Re-performance of model valuations;
- A review and approval process for new models and changes to such models;
- Calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant valuation movements; and
- Review of unobservable inputs and valuation adjustments.

When third party information, such as holding and valuation statements are used to measure fair value, the valuation function assesses the documents and evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of Australian Accounting Standards.

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value hierarchy

30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets/(liabilities)				
- Unit Trusts	-	1,240,330	-	1,240,330
- Currency Contracts	-	777	-	777
	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,241,107	-	1,241,107
	<hr/>	<hr/>	<hr/>	<hr/>

There were no transfers between Levels during the period.

30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
- Unit Trusts	-	1,166,336	-	1,166,336
- Currency Contracts	-	(2,782)	-	(2,782)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,163,554	-	1,163,554
	<hr/>	<hr/>	<hr/>	<hr/>

There were no transfers between Levels during the period.

4. FINANCIAL RISK MANAGEMENT

The Scheme's assets principally consist of financial instruments which comprise term deposits and units in unlisted trusts. It holds these investment assets in accordance with the Trustee's published investment policy statement.

The Trustee of the Scheme has overall responsibility for the establishment and oversight of the Scheme's risk management framework. The Trustee is responsible for developing and monitoring the Scheme's risk management policies, including those related to its investment activities. The Scheme's risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Trustee receives quarterly reports from the Scheme's Investment Consultant and management to monitor compliance with the Scheme's investment policy statement/objective.

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

The allocation of assets between the various types of financial instruments is determined by the Trustee who manages the Scheme's portfolio of assets to achieve the Scheme's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Scheme on at least a quarterly basis.

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The fair value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counter party or industry. The credit risk is monitored by the Trustee by quarterly reporting from its investment consultant/manager.

The Scheme does not have any assets which are past due or impaired.

(b) Liquidity Risk

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

The Scheme's liquidity position is monitored on a weekly basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, Scheme expenses plus investing activities.

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

As at 30 June 2019	Contractual Cash flows			
	Carrying Amount \$'000	Less than 3 months \$'000	3 Months to 6 months \$'000	Greater than 6 months \$'000
Non-derivative financial liabilities				
Creditors & accruals	500	500	-	-
Employee entitlements	107	-	-	107
Member benefit	1,166,346	1,166,346	-	-
Total	1,166,953	1,166,846	-	107

As at 30 June 2018	Contractual Cash flows			
	Carrying Amount \$'000	Less than 3 months \$'000	3 Months to 6 months \$'000	Greater than 6 months \$'000
Non-derivative financial liabilities				
Creditors & accruals	666	666	-	-
Employee entitlements	95	-	-	95
Member benefit	1,077,701	1,077,701	-	-
Total	1,078,462	1,078,367	-	95

Member benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at year-end. This is the earliest date on which the Scheme can be required to pay members benefits, however, members may not necessarily call upon amounts accrued to them during this time.

(c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Currency Risk

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

The Scheme invests in Australian domiciled investments where the underlying investments may include overseas equities, fixed interest securities or other assets.

The Board reduces the currency risk in respect of overseas investments by entering into forward exchange contracts (FECs) via a currency broker. The amount of FECs held are set by the Board depending on their view of the relative value of the Australian dollar against other currencies.

For other assets, the currency risk is fully hedged by the manager of the assets.

(ii) Interest rate risk

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

The majority of the Scheme's financial assets are non-interest-bearing. The Scheme invests in Australian domiciled units in unit trusts where the underlying investments may include interest bearing financial instruments. As a result, the Scheme may be subject to indirect exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Scheme has some direct interest rate risk through its investments in term deposits. Any excess cash and cash equivalents of the Scheme are invested in an interest bearing bank account.

The Scheme's major exposure to fluctuations in interest rates at balance date was as follows:

	Fair Value 2019 \$'000	Fair Value 2018 \$'000
Cash and cash equivalents	10,464	13,677
Term Deposits	40,000	40,000

Sensitivity analysis

The Trustee has determined that a reasonable possible change in interest rates for the coming year is between 50 basis points. An increase or decrease of 50 basis points in interest rates would increase/decrease net assets available for members and net income from superannuation activities after tax of the Scheme by \$252,320 (2018 \$268,385).

(iii) Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at fair value (fair value) with changes in fair value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

The Trustee has determined that the standard deviation of the rate of return for each asset class will provide a reasonably possible change in the prices of the investments that comprise each asset class. The five year average standard deviation of rates of return for each asset class, were provided by the Scheme's asset consultant. The following table illustrates the effect on change in net assets after tax and net assets available to pay benefits from possible changes in market price risk.

30 June 2019 Asset Class	Fair value of investments \$'000	5 year Standard Deviation	Net Income from Superannuation activities after tax \$'000	Change in Net Assets available for member benefits \$'000
Australian Equity	301,561	11.2%	±33,895	±33,895
Overseas Equity	331,167	11.1%	±36,678	±36,678
Alternatives	203,190	2.7%	±5,405	±5,405
Direct Property	168,812	2.3%	±3,883	±3,883
Fixed Income	140,169	2.5%	±3,728	±3,728
Cash	136,208	1.7%	±2,388	±2,388
Total	1,281,107		±85,977	±85,977
Term Deposits	40,000			
Units in unit trusts	1,240,330			
Currency Contracts	777			
Total	1,281,107			

30 June 2018 Asset Class	Fair value of investments \$'000	5 year Standard Deviation	Net Income from Superannuation activities after tax \$'000	Change in Net Assets available for member benefits \$'000
Australian Equity	293,917	10.9%	±32,154	±32,154
Overseas Equity	293,108	9.4%	±27,428	±27,428
Alternatives	202,224	2.5%	±5,096	±5,096
Direct Property	164,334	2.3%	±3,714	±3,714
Fixed Income	133,477	2.5%	±3,364	±3,364
Cash	116,494	1.7%	±1,976	±1,976
Total	1,203,554		±73,732	±73,732
Term Deposits	40,000			
Units in unit trusts	1,166,336			
Currency Contracts	(2,782)			
Total	1,203,554			

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each asset classes' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5. MEMBER LIABILITIES AND FUNDING ARRANGEMENTS

(a) Overview

The Scheme was established under the *Electricity Corporations Act 1994* and is governed by that Act and the Rules of the Scheme set out in the trust deed, as amended.

The Scheme comprises four divisions, namely:

- The Lump Sum Scheme
- The Pension Scheme, including Provident Account Section A
- The RG Scheme
- The Accumulation Scheme

Employers are not able to terminate their participation in the Scheme without the consent, in writing, of any pre-privatisation employees who are members of the Scheme. No guarantees have been made in respect of any part of the liability for accrued benefits.

Since 1 December 1999, new members have only been able to join the Accumulation Scheme.

During the year ended 30 June 2019 there were 6 employees directly employed to manage the Scheme (2018: 5 employees).

(b) Defined contribution member liabilities

Obligations relating to member entitlements are recognised as member liabilities. Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date using a crediting rate determined by the Trustee based on the underlying option values selected by members.

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

Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

At the end of the period the defined contribution member liabilities which represent the vested benefits for those members are as follows:

	2019 \$'000	2018 \$'000
Member benefits at end of the financial year	472,472	404,172
Vested benefits	472,472	404,172

(c) Defined benefit member liabilities

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at the date when they are expected to fall due. A full valuation of defined benefit member liabilities is made tri-annually by a qualified actuary with an estimate completed at the end of each year. The past membership components of all defined benefits payable in the future from the Scheme in respect of membership completed at the reporting date are projected forward allowing for the relevant actuarial assumptions and are then discounted back to the reporting date using a market based, risk adjusted discount rate.

The defined benefit member liabilities will comprise:

- Defined benefit members (excluding Supplementary and Voluntary Accounts)
- Division 2, 3 and 4 Retained Benefit Section members
- Lifetime pensioners
- Deferred pensioners

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5. MEMBER LIABILITIES AND FUNDING ARRANGEMENTS (CONTINUED)

The main actuarial assumptions used to determine the actuarial value of the defined benefit members liability at the reporting date are:

- A future investment return/discount rate for employed members and deferred pension liabilities of 6.6%
- A salary increase rate of between 2.5% and 4.0% pa depending on the employer
- A future pension increase rate of 2.5% pa
- 90% of pension members electing to take a lifetime pension

The defined benefit member liability at the end of each year as at 30 June is as follows:

	2019 \$'000	2018 \$'000
Member accrued benefits	693,874	673,529
Member vested benefits	711,384	699,613
Net assets available to pay benefits	865,260	867,212
Vested benefit index	112%	124%

The funding policy adopted in respect of the Scheme is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. The particular funding method adopted by the actuary in relation to the defined benefit section of the Scheme is described in the report on the comprehensive actuarial investigation of the Scheme as at 30 June 2017 and is summarised as follows.

The Scheme's actuary considers the following movements in the main assumptions used to determine the values of accrued benefits are reasonably possible for the 2019 reporting period. The future rate of investment return $\pm 1\%$ (2018: $\pm 1\%$).

The impact of the reasonably possible changes in these key assumptions are shown below:

	2019 \$'000	2018 \$'000
Reasonable possible change in key assumptions		
Increase in future rate of investment return and no change in other assumptions	(46)	(43)
Decrease in future rate of investment return and no change in other assumptions	55	52

In various reports to the Scheme, the Actuary commented that all liabilities concerning members which might be expected to arise in future in the normal course of events can be adequately met from existing assets, contributions by members in accordance with the Trust Deed, contributions by employers at the rate recommended by the Actuary and by investment earnings.

(d) Funding Arrangements

Contributions are made to the Scheme in accordance with the recommendations contained in the actuarial report with the objective of the Trustee to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable.

The latest actuarial review was conducted as at 30 June 2018. The Board determined the level of contributions required from employers and communicated this to all employers.

Prior to 28 January 2000, all employers participating in the Scheme were public sector employers. During the 2000 year all members transferred to private sector employment. Since the transfer, the employers made the contributions necessary to the Scheme to fund the initial unfunded liability as at the time of their transfer to private sector employment. They are also to make the contributions necessary to keep their part of the Scheme fully funded.

If a voluntary separation package (VSP) benefit is paid to a member of the Pension Scheme, and the amount is greater than the actuarial reserve for the member, then the member's employer must fund the difference.

Members contribute at various levels according to their own choices and the rules of the relevant division.

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

6. INSURANCE ARRANGEMENTS

The Scheme provides death and disability benefits to its members. The Scheme has a group policy in place with a third party insurance company to insure the bulk of the death and disability benefits and salary continuance benefits for the members of the Scheme.

The insurer charges the Scheme an aged based rate per the value of the sum insured. The Scheme charges members a percentage of salary for the level of chosen cover. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. 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 member accounts as well as those paid from the DB pool are recognised in the Statement of Changes in Members Benefits as follows:

	Defined Contribution \$'000	Defined Benefit \$'000	Total \$'000
Year ended 30 June 2019			
Insurance premiums charged to member's accounts	912	151	1,063
Tax benefit from deductible premiums	(136)	(23)	(159)
Year ended 30 June 2018			
Insurance premiums charged to member's accounts	866	160	1,026
Tax benefit from deductible premiums	(130)	(24)	(154)

The Scheme self-insured for the following death and disability liabilities not covered by an insurance policy:

- Lump sum invalidity provided by Division 2 of the Scheme on cessation of employment on account of invalidity are not insured to the extent to which they exceed the lump sum death benefit
- Invalid pension benefits provided by Division 3 of the Scheme on cessation of employment on account of invalidity are not insured to the extent to which their value exceeds the value of the spouse pension payable on death
- The children's pensions payable on the death of a Division 2 or 3 member are not insured
- The temporary disability pensions provided under Division 2 and 3 of the Scheme are not insured

Any future claims relating to the self-insured instances will be financed from the defined benefit pool. The Scheme actuary calculates a reasonable arm's length notional insurance premium annually for which the Scheme receives a tax benefit which is recognised in the Income Statement.

	2019 \$'000	2018 \$'000
Notional insurance premium	125	151
Section 295-465 self insurance tax benefit	(19)	(23)

The Scheme determines death and disability benefits against the scheme rules and potentially this may result in a benefit without receiving insurance proceeds.

The Trustee determined that the Scheme is not exposed to material insurance risk because self-insured claims are likely to represent only a very small proportion of the total permanent disability claims. Otherwise,

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

7. RECEIVABLES

	2019 \$'000	2018 \$'000
Contributions receivable	359	305
GST receivable	45	65
Accrued interest	338	333
Trust distributions receivable	41,692	50,600
TOTAL RECEIVABLES	42,434	51,303

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

8. INVESTMENTS	2019 \$'000	2018 \$'000
<u>Term Deposits</u>		
Bankwest term deposit	10,000	10,000
CBA term deposit	10,000	10,000
NAB term deposit	10,000	10,000
Westpac term deposit	10,000	10,000
	40,000	40,000
<u>Units in Unit Trusts</u>		
AMP Capital Diversified Property Fund	42,856	42,525
Australian Prime Property Fund	33,625	34,343
Bentham Wholesale Syndicated Loan Fund	64,189	62,700
Blackrock Multi Opportunity Fund	32,113	26,796
CFM Institutional Systematic Diversified Trust	25,221	24,334
CI Australian Equities Trust	99,897	106,941
CI Asian Tiger Fund	-	17,703
Crown Europe Small Buyouts III PLC	14,764	15,323
Dexus Wholesale Property Fund	92,331	87,466
Hastings Utilities Trust of Australia	25,360	25,013
HarbourVest Partners Co-Investment	20,445	15,343
IFM Alternative Fixed Income Fund	43,532	41,275
Insight Global Absolute Return Bond Fund	28,584	28,687
Lanyon Australian Share Fund	19,961	-
Macquarie True Index Cash Fund	8,245	8,085
Macquarie Asia New Stars Fund	-	15,346
Macquarie Global Infrastructure Fund II (A)	4,442	12,967
MLC JANA Diversified Fixed Income Trust	36,843	32,757
MLC JANA Emerging Markets Share Trust	54,148	16,607
MLC JANA Tailored Trust No.6	276,337	245,662
Partners Group Secondary 2011 (USD), S.C.A.	16,562	20,321
Henderson Investment Trust (previously Perennial)	87,963	68,408
Perpetual Wholesale Concentrated Equity	54,397	38,882
PIMCO Absolute Return Strategy III Offshore	31,210	30,758
Solaris Core Fund	68,337	62,062
Tribeca Smaller Companies Fund	32,845	32,680
Yarra Australian Equities Fund (previously Goldman Sachs)	26,123	53,352
	1,240,330	1,166,336
TOTAL INVESTMENTS	1,280,330	1,206,336

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

9. CREDITORS AND ACCRUALS	2019 \$'000	2018 \$'000
Administration	195	181
Audit fees	71	70
Consulting fees	93	26
Investment expenses	29	297
Legal fees	20	2
PAYG withholding tax	72	63
Sundry creditors	7	-
Tax agent fees	6	7
Unallocated contributions	7	20
	500	666
TOTAL CREDITORS AND ACCRUALS	500	666
10. TAXATION	2019 \$'000	2018 \$'000
(a) Recognised in Income Statement		
Current income tax		
- Current tax charge	1,199	2,885
- Adjustment to current tax for prior period	169	(26)
Deferred income tax		
- Movement in temporary differences	331	3,547
	1,699	6,406
Income tax expense	1,699	6,406
(b) Numerical reconciliation between tax expense and profit before Income tax		
Profit before income tax	75,765	112,609
	11,365	16,891
Tax applicable at the rate of 15% (2018: 15%)	11,365	16,891
Tax effect of income/losses that are not assessable or deductible in determining taxable income		
- Investments	(2,284)	(4,533)
Tax effect of other adjustments		
- Imputation & foreign tax credits	(5,010)	(3,558)
- Exempt pension income	(2,522)	(2,345)
- Self insurance deduction	(19)	(23)
- Under/(over) provision prior periods	169	(26)
	1,699	6,406
Income tax expense	1,699	6,406

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10. TAXATION (CONTINUED)	2019 \$'000	2018 \$'000
(c) Recognised in the statement of changes in members benefits		
Contributions and transfers in recognised in the statement of changes in members benefits	67,614	65,364
	10,142	9,805
Tax applicable at the rate of 15% (2018: 15%)		
Tax effect of items not assessable or (deductible) in determining taxable income		
- Member contributions	(647)	(599)
- Transfers in	(2,105)	(1,926)
- Defined benefit internal transfers	(1,985)	(2,309)
- Section 295-180 contributions not assessable	(862)	(2,182)
- Insurance premium tax benefit	(159)	(154)
Tax effect of other adjustments		
- Anti-detriment deduction	-	(8)
- No TFN refund	-	(10)
- Under/(over) provision prior periods	(35)	-
	4,349	2,617
Income tax expense		
Allocated as follows:		
Income tax on contributions	4,508	2,779
Anti-detriment tax benefits	-	(8)
Tax benefit from deductible premiums	(159)	(154)
	4,349	2,617
Income tax expense		
(d) Current tax liabilities/(assets)		
Balance at beginning of year	3,994	4,184
Income tax (paid)/refunded – prior periods	(4,129)	(4,142)
Income tax paid – current period	(3,649)	(2,471)
Current years income tax provision	7,551	6,465
Under/(over) provision prior periods	134	(42)
	3,901	3,994
Income tax expense		
(e) Deferred tax assets		
The amount of deferred tax asset recognised in the Statement of Financial Position:		
Accrued expenses	28	26
Future untaxed pensions	22,536	21,960
	22,564	21,986

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10. TAXATION (CONTINUED)

	2019 \$'000	2018 \$'000
(f) Deferred tax liabilities		
The amount of deferred tax liabilities recognised in the Statement of Financial Position:		
Accrued income	122	134
Unrealised capital gains (discounted)	14,207	15,107
Group life premiums prepaid	-	151
Employer contributions receivable	49	45
	14,378	15,437

11. GENERAL ADMINISTRATION EXPENSES

	2019 \$'000	2018 \$'000
Administration fees	1,040	999
Audit fees	92	93
Consulting fees (Note 11(a))	303	331
Financial Planning Services	38	65
Legal fees	52	59
Office expenses	771	768
Project costs	51	-
Sundry expenses	80	35
Tax agent fees	8	11
Trustee expenses	332	298
Trustee indemnity insurance	49	49
	2,816	2,708

11(a) CONSULTING FEES

	No	2019 \$'000	No	2018 \$'000
Consulting fees comprise of the following:				
Below \$10,000	4	22	-	-
Between \$10,000 and \$50,000	7	165	7	142
Above \$50,000	2	116	3	189
		303		331
TOTAL	13	303	10	331

The number relates to the number of consulting invoices received during the year.

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

12. BENEFITS PAID

	2019 \$'000	2018 \$'000
Death	2,316	1,395
Disablement	275	1,622
Early retirement	4,040	1,464
Late retirement	7,585	8,707
In service and other benefits	5,876	3,837
Resignation	5,914	5,436
Retrenchment	-	2,135
	<hr/>	<hr/>
TOTAL BENEFITS PAID	26,006	24,596
	<hr/>	<hr/>

13. CASH FLOW INFORMATION

	2019 \$'000	2018 \$'000
(a) Reconciliation of Net Cash provided by Operating Activities to Profit/(Loss) After Tax		
Net profit/(loss) after tax	(15,517)	17,038
Net benefit to member accounts	89,583	89,165
Changes in fair value of assets	791	(31,527)
Trust distributions	(70,228)	(55,617)
Other investment income	(1,226)	(1,162)
Investment expenses	438	572
(Increase)/Decrease in receivables	8,923	1,424
(Increase)/Decrease in prepayments	1,007	(1,032)
(Increase)/Decrease in deferred tax	(1,061)	6
Increase/(Decrease) in creditors and accruals	(166)	50
Increase/(Decrease) in employee entitlements	12	26
Increase/(Decrease) in current tax liabilities	158	(354)
	<hr/>	<hr/>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	12,714	18,589
	<hr/>	<hr/>
(b) Reconciliation of Cash		
Cash at bank	10,464	13,677
	<hr/>	<hr/>
(c) Non cash investing activities		
During the year the following non cash investing activities occurred:		
Trust distributions reinvested	70,228	55,617
Other investment income	1,226	1,162
	<hr/>	<hr/>

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

14. AUDITOR'S REMUNERATION

	2019 \$	2018 \$
Amounts paid or due and payable to the Auditor-General Department for the audit of the financial report (GST exclusive)	64,500	63,800

No other services were provided by the Auditor-General Department.

15. RELATED PARTIES

(a) Trustee and Key Management Personnel

The Trustee of the Scheme is the Electricity Industry Superannuation Board. The following people were members of the board during the financial year for the periods indicated:

Employer appointed Trustees

Mr Paul Wight
Period: 01/07/18 to 30/06/19

Mr Patrick Makinson
Period: 01/07/18 to 30/06/19

Mr Damien Rice
Period: 01/07/18 to 30/06/19

Ms Kylie Johnson
Period: 01/07/18 to 30/06/19

Ms Ann Perriam
Period: 01/07/18 to 30/06/19
(Alternate to K Johnson 01/07/18 to 30/06/19)

Independent Chairman

Mr Peter Siebels
Period: 01/07/18 to 30/06/19

Unions SA appointed Trustees

Mr John Adley
Period: 01/07/18 to 31/03/19
(Alternate to B Jewell 01/04/19 to 30/06/19)

Mr Darryl Anthony
Period: 01/07/18 to 30/06/19

Mr Ben Jewell
Period: 01/04/19 to 30/06/19
(Alternate to J Adley 01/07/18 to 31/03/19)

Member elected Trustees

Mr Mark Vincent
Period: 01/07/18 to 30/06/19

Ms Janette Bettcher
Period: 01/07/18 to 30/06/19

(b) Compensation of Key Management Personnel

The Board members of the Scheme received no remuneration from the Scheme or employers in connection with the management of the Scheme with the exception of the Chairman. The Chairman received \$89,902 including GST (2018: \$83,890 including GST).

The Board members who are members of the Scheme contribute on the same terms and conditions as other members.

(c) Employer Company

The following companies and their subsidiaries are the employer and contributions to the Scheme are disclosed in the Statement of Changes in Member Benefits:

AGL Energy Limited
Utilities Management Pty Ltd (SA PowerNetworks)
Energy Australia Services Pty Ltd
Electranet Pty Ltd

AGL Torrens Island Pty Ltd
SA Government
Alinta Servco Pty Ltd

Flinders Operating Services Pty Ltd withdrew from the Scheme. A deed of withdrawal was signed on 14 December 2018 and an amount of \$6,780,000 was transferred from the surplus to Flinders Operating Services Pty Ltd on 18 April 2019 on the advice of the Schemes Actuary.

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in Note 2(e), the Scheme has consistency applied the following accounting policies to all periods presented in these financial statements.

(a) Financial Assets and Financial Liabilities

The Scheme classifies non-derivative financial assets and financial liabilities at fair value through the Income Statement.

The Scheme initially recognises financial assets and liabilities on the trade date when the entity becomes a party to the contractual provisions of the instrument.

(i) Derivative Financial Instruments

Derivative financial instruments including financial futures and forward exchange contracts, interest rate swaps, exchange traded and other options and forward rate agreements are recorded at mark to market basis at balance date using the most recent verifiable sources of market prices or generally accepted valuation principles.

(ii) Fair Value Measurement

Market quoted investments

The fair value of an investment for which there is a readily available market quotation is determined as the last quoted sale price at the close of business on reporting date, less an appropriate allowance for costs expected to be incurred in realising the investments.

Units in unlisted managed investment schemes

These are valued at the redemption price at reporting date quoted by the investment managers which are based on the fair value of the underlying investments. Unit values denominated in foreign currency are translated to Australian dollars at the current exchange rates.

(b) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash in transit comprises investment redemptions or applications which have been processed by one party but have not been received and deposited by the other party at year end.

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

(c) Receivables, creditors and accruals

Receivables, creditors and accruals (excluding reinsurance assets and insurance liabilities) are carried at nominal amounts which approximate fair value.

(d) Foreign Currency

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences are recognised in the Income Statement.

(e) Revenue Recognition

(i) Interest income

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

(ii) Dividend income

Revenue from dividends is recognised on the date the shares are quoted ex-dividend and if not received at reporting date, is reflected in the Statement of Financial Position as a receivable at fair value.

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(iii) Distribution income

Distributions from managed investment schemes are recognised on the date as at the date the unit value is quoted ex-distribution and the Scheme is entitled to receive the distribution. If not received at reporting date, the distribution receivable is reflected in the Statement of Financial Position as a receivable at fair value.

(iv) Changes in fair values

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

(f) Contribution revenue and transfers in

Contributions and transfers in are recognised in the Statement of changes in Member Benefit when the control and the benefit from the revenue have transferred to the Scheme and is recognised gross of any taxes.

(g) Income Tax

The Scheme is a complying superannuation scheme within the provisions of the Income Tax Assessment Act and accordingly the concessional tax rate of 15% has been applied.

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Scheme intends to settle its current tax assets and liabilities on a net basis.

(h) Goods and Services Tax

GST incurred that is not recoverable from the ATO has been recognised as part of the cost of acquisition of the asset or as part of the expense to which it relates. Receivables and payables are stated with the amount of GST included in the value. The amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

17. SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on the Scheme's financial statements at 30 June 2019.

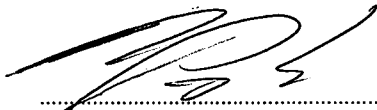
ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

STATEMENT BY TRUSTEE

In the opinion of the Trustee we certify:

- (a) the accompanying financial statements and notes set out on pages 2 to 24 are in accordance with:
 - (i) Australian Accounting Standards and other mandatory professional reporting requirements; and
 - (ii) present fairly the Scheme's financial position as at 30 June 2019 and its performance for the year ended on that date; and
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the members of the Electricity Industry Superannuation Board as Trustee for the Electricity Industry Superannuation Scheme.



.....
Chief Executive Officer



.....
Chairman of the Trustee Board

Signed at Adelaide this 27th day of September 2019.

For official use only



Government of South Australia
Auditor-General's Department

Our ref: A19/345

27 September 2019

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Mr P Siebels
Chairman
Electricity Industry Superannuation Board
Rundle Mall
PO Box 192
ADELAIDE SA 5000

Dear Mr Siebels

**Audit of the Electricity Industry Superannuation Scheme
for the year to 30 June 2019**

We have completed the audit of your accounts for the year ended 30 June 2019. Key outcomes from the audit are the:

- 1 Independent Auditor's Report on your agency's financial report
- 2 audit management letters.

1 Independent Auditor's Report

We are returning the financial statements for Electricity Industry Superannuation Scheme, with the Independent Auditor's Report. This report is unmodified.

The *Public Finance and Audit Act 1987* allows me to publish documents on the Auditor-General's Department website. The enclosed Independent Auditor's Report and accompanying financial statements will be published on that website on Tuesday 15 October 2019

2 Audit management letters

As the audit did not identify any significant matters requiring management attention, we will not issue any audit management letters.

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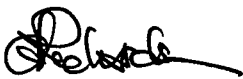
What the audit covered

The audit covered the principal areas of the agency's financial operations and included test reviews of systems, processes, internal controls and financial transactions. Some notable areas were:

- contributions revenue
- benefit expenses
- liability for accrued benefits
- general ledger
- legal compliance.

I would like to thank the staff and management of your agency for their assistance during this year's audit.

Yours sincerely



Andrew Richardson
Auditor-General

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**To the Chairman
Electricity Industry Superannuation Board, as Trustee of the Electricity
Industry Superannuation Scheme**

As required by section 18(2) of Schedule 1 of the *Electricity Corporations Act 1994*, I have audited the financial report of the Electricity Industry Superannuation Scheme for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Electricity Industry Superannuation Scheme as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2019
- an Income Statement for the year ended 30 June 2019
- a Statement of Changes in Member Benefits for the year ended 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairman of the Trustee Board and the Chief Executive Officer.

Basis for opinion

I conducted the audit in accordance with section 18(2) of Schedule 1 of the *Electricity Corporations Act 1994* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial report section of my report. I am independent of the Electricity Industry Superannuation Scheme. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

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

Responsibilities of the Trustee Board and the Chief Executive Officer for the financial report

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the Trustee Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

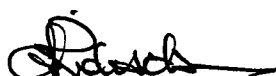
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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
- obtain 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 Electricity Industry Superannuation Scheme's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and Chairman of the Trustee Board 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 identify during the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

Auditor-General

27 September 2019