

# **ELECTRICITY INDUSTRY SUPERANNUATION SCHEME**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	14(b)	22,863	10,464
Receivables	10	49,138	42,434
Currency contracts		7,487	777
Investments	6	1,233,067	1,280,330
Prepayments		55	49
Right of use asset		1,357	-
Deferred tax assets	13(e)	23,405	22,564
<b>TOTAL ASSETS</b>		<b>1,337,372</b>	<b>1,356,618</b>
<b>LIABILITIES</b>			
Creditors and accruals	11	575	500
Current tax liabilities	13(d)	2,511	3,901
Lease liability		1,457	-
Employee entitlements		120	107
Deferred tax liabilities	13(f)	8,636	14,378
<b>TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS</b>		<b>13,299</b>	<b>18,886</b>
<b>NET ASSETS AVAILABLE FOR MEMBER BENEFITS</b>		<b>1,324,073</b>	<b>1,337,732</b>
<b>MEMBER BENEFITS</b>			
Defined contribution member liabilities	7(b)	501,124	472,472
Defined benefit member liabilities	7(c)	686,195	693,874
		1,187,319	1,166,346
<b>NET ASSETS</b>		<b>136,754</b>	<b>171,386</b>
<b>EQUITY</b>			
Defined benefits that are over funded		136,754	171,386
Unallocated surplus		-	-
<b>TOTAL EQUITY</b>		<b>136,754</b>	<b>171,386</b>

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
<b>REVENUE FROM SUPERANNUATION ACTIVITIES</b>			
Interest revenue		706	1,184
Distributions from unit trusts		73,732	77,715
Net change in fair value of investments		(82,601)	(791)
Fee rebates		1,801	1,361
		<hr/>	<hr/>
<b>TOTAL SUPERANNUATION ACTIVITY REVENUE</b>		<b>(6,362)</b>	<b>79,469</b>
<b>EXPENSES</b>			
Direct investment expenses		1,302	888
General administration expenses	12	2,966	2,816
Other expenses		99	-
		<hr/>	<hr/>
<b>TOTAL EXPENSES</b>		<b>4,367</b>	<b>3,704</b>
		<hr/>	<hr/>
<b>RESULTS FROM SUPERANNUATION ACTIVITIES BEFORE INCOME TAX</b>		<b>(10,729)</b>	<b>75,765</b>
<b>ALLOCATION TO MEMBER BENEFITS</b>			
Net benefits allocated to defined contribution member accounts		(5,816)	36,353
Net change in defined benefit member benefits		33,960	53,230
		<hr/>	<hr/>
TOTAL ALLOCATION TO MEMBER BENEFITS		28,144	89,583
		<hr/>	<hr/>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>(38,873)</b>	<b>(13,818)</b>
Income tax expense/(benefit)	13(a)(b)	(4,241)	1,699
		<hr/>	<hr/>
<b>PROFIT/(LOSS) AFTER INCOME TAX</b>		<b>(34,632)</b>	<b>(15,517)</b>
		<hr/>	<hr/>

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Defined Contribution \$'000	Defined Benefit \$'000	Total 2020 \$'000
<b>Year ended 30 June 2020</b>				
Liability for accrued benefits beginning of period		472,472	693,874	1,166,346
<b>CONTRIBUTION REVENUE</b>				
Employer contributions – Employer SGC		21,777	1,799	23,576
Employer contributions – Salary Sacrifice		6,007	3,800	9,807
Member contributions		5,373	400	5,773
Government co-contributions		17	-	17
Transfers in		10,542	-	10,542
Transfers from Defined Benefit		22,479	(22,479)	-
		<hr/>	<hr/>	<hr/>
Income tax on contributions	13(c)	66,195 (2,370)	(16,480) (840)	49,715 (3,210)
		<hr/>	<hr/>	<hr/>
Net after tax contributions		63,825	(17,320)	46,505
		<hr/>	<hr/>	<hr/>
<b>BENEFITS PAID</b>				
Benefits paid	9	(19,943)	(4,893)	(24,836)
Pensions		(9,082)	(19,176)	(28,258)
		<hr/>	<hr/>	<hr/>
Net benefits paid		(29,025)	(24,069)	(53,094)
		<hr/>	<hr/>	<hr/>
<b>INSURANCE</b>				
Premiums charged to member's accounts	8	(817)	(294)	(1,111)
Claims credited to members' accounts		362	-	362
Tax benefit from deductible premiums	13(c)	123	44	167
		<hr/>	<hr/>	<hr/>
Net insurance cost		(332)	(250)	(582)
		<hr/>	<hr/>	<hr/>
<b>INCOME AND EXPENSES</b>				
Net benefits allocated to members' accounts comprising:				
Net investment income		(5,674)	-	(5,674)
Administration fees		(142)	-	(142)
Net change in defined benefit member benefits		-	33,960	33,960
		<hr/>	<hr/>	<hr/>
Net income		(5,816)	33,960	28,144
		<hr/>	<hr/>	<hr/>
<b>Liability for accrued benefits at 30 June 2020</b>		<b>501,124</b>	<b>686,195</b>	<b>1,187,319</b>
		<hr/>	<hr/>	<hr/>

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Defined Contribution \$'000	Defined Benefit \$'000	Total 2019 \$'000
<b><u>Year ended 30 June 2019</u></b>				
Liability for accrued benefits beginning of period		404,172	673,529	1,077,701
<b>CONTRIBUTION REVENUE</b>				
Employer contributions – Employer SGC		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 from Defined Benefit	14	13,233	(13,233)	-
		<hr/>	<hr/>	<hr/>
Income tax on contributions	13(c)	58,699 (3,939)	(4,318) (569)	54,381 (4,508)
		<hr/>	<hr/>	<hr/>
Net after tax contributions		54,760	(4,887)	49,873
		<hr/>	<hr/>	<hr/>
<b>BENEFITS PAID</b>				
Benefits paid	9	(16,389)	(9,617)	(26,006)
Pensions		(5,817)	(18,253)	(24,070)
		<hr/>	<hr/>	<hr/>
Net benefits paid		(22,206)	(27,870)	(50,076)
		<hr/>	<hr/>	<hr/>
<b>INSURANCE</b>				
Premiums charged to member's accounts	8	(912)	(151)	(1,063)
Claims credited to members' accounts		169	-	169
Tax benefit from deductible premiums	13(c)	136	23	159
		<hr/>	<hr/>	<hr/>
Net insurance cost		(607)	(128)	(735)
		<hr/>	<hr/>	<hr/>
<b>INCOME AND EXPENSES</b>				
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/>
<b>Liability for accrued benefits at 30 June 2019</b>		<b>472,472</b>	<b>693,874</b>	<b>1,166,346</b>
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# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Note	Defined benefits over funded \$'000	Unallocated surplus \$'000	Total Equity \$'000
<b><u>Year Ended 30 June 2020</u></b>				
Opening balance		171,386	-	171,386
Loss after income tax		(34,632)	-	(34,632)
		<hr/>	<hr/>	<hr/>
<b>Closing balance</b>		<b>136,754</b>	<b>-</b>	<b>136,754</b>
		<hr/>	<hr/>	<hr/>
<b><u>Year Ended 30 June 2019</u></b>				
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/>
<b>Closing balance</b>		<b>171,386</b>	<b>-</b>	<b>171,386</b>
		<hr/>	<hr/>	<hr/>

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$'000	2019 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest		959	1,179
Trust distributions		36,862	16,395
Fee rebates		561	135
Direct investment expenses		(482)	(718)
General administration expenses		(3,077)	(2,835)
GST Recoup		126	143
Income taxes paid		(3,565)	(1,699)
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	15(a)	31,384	12,600
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from redemptions of investments		305,374	140,683
Acquisition of investments		(317,333)	(148,011)
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(11,959)	(7,328)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Contributions and Transfers in		50,045	48,248
Income taxes paid		(3,210)	-
Benefits paid		(53,112)	(50,067)
Net insurance inflows/(outflows)		(749)	114
Repatriation to employer	15(c)	-	(6,780)
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(7,026)	(8,485)
INCREASE/(DECREASE) IN CASH HELD		12,399	(3,213)
CASH AT THE BEGINNING OF PERIOD		10,464	13,677
<b>CASH AT THE END OF PERIOD</b>	<b>15(b)</b>	<b>22,863</b>	<b>10,464</b>

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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### 1. GENERAL INFORMATION

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.

The financial statements were approved by the Board of the Trustee, Electricity Industry Superannuation Board, on 25 September 2020.

### 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. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

#### (a) Basis of preparation

The financial statements are general purpose statements which have been drawn up in accordance with Australian accounting standards including AASB 1056 *Superannuation Entities*, other applicable Accounting Standards, Section 18(2) of schedule 1 of Electricity Corporations Act 1994 ("the Act") and the provisions of the Trust Deed. The financial statements are presented in Australian dollars.

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. Balances are expected to be recovered or settled within twelve months, except for investments, fixed assets, derivative liabilities and the liabilities for member benefits.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

#### (b) New and amended standards adopted during the year

The Scheme has applied AASB 16 *Leases* for the first time for the year ended 30 June 2020.

The Scheme elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standards on 1 July 2019 as disclosed in Note 3.

#### (c) 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 2020 reporting periods and have not been early adopted by the Scheme. None of these are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### (d) Investments

Investments of the Scheme are initially recognised using trade date or settlement date accounting, as appropriate. From the initial recognition any gains and losses arising from net remeasurement changes in the assets fair value are recorded in the income statement. Fair values have been determined as follows:

##### 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.

##### Non-market quoted investments

The fair value of investments for which market quotations are not readily available are valued as follows:

- Unlisted unit trusts – 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 relevant exchange rates.
- Other unlisted securities – recorded with reference to recent arm's length transactions, current value of another instrument that is substantially the same or using discounted cash flows.
- Where discounted cash flow techniques are used, estimated future cash flows are based on Trustee's best estimates and the discount rate used is a market rate at the reporting date applicable for an instrument with similar terms, conditions, and risks.
- Where other pricing models are used, inputs are based on market data at the reporting date.
- Private equity investments are valued according to the most recent valuation obtained from the underlying manager at fair value adjusted for subsequent investments, redemptions, and significant changes in underlying market conditions through to balance date.



# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

#### **(e) Financial Instruments**

##### *(a) Recognition/ derecognition*

The Scheme recognises financial assets and financial liabilities on the date it becomes a party to the contractual agreement (trade or settlement date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

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

##### *(b) Measurement*

At initial recognition, the Scheme measures financial assets and financial liabilities at their fair value. Transaction costs for financial assets and liabilities are recorded in the income statement.

After initial recognition, all financial assets and liabilities 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.

##### *(c) 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.

#### **(f) Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits.

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.

#### **(g) Revenue Recognition and Contributions**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains and losses arise due to remeasurement changes in the fair value of investments are recognised as income in the income statement in the periods in which they occur. Net remeasurement changes in fair value are determined as the difference between the fair value at balance date or consideration received (if sold during the reporting period) and the fair value at the previous balance date or the cost (if the investment was acquired during the reporting period).

#### Interest income

Interest revenue 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 income

Dividend income is recognised on the date the shares to which the dividend relates 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.

#### Trust distribution income

Distributions from managed investment schemes are recognised on the date the Scheme becomes entitled to or is attributed 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.

#### Contributions revenue and transfers in

Contributions revenue and transfers in are recognised when the control and the benefits from the revenue have transferred to the Scheme and is recognised gross of any taxes in the period to which they relate.

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Foreign Currency

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

#### (i) Income Tax

The Scheme is a complying superannuation Scheme within the provisions of the Income Tax Assessment Act 1997 and accordingly the concessional tax rate of 15% has been applied.

#### Current tax

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

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 when 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 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.

#### (j) Receivables

Receivables may include amounts for dividends, interest and trust distributions and are measured at fair value. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment as set out in Note 2(g) above. Amounts are generally received within 30 days of being recorded as receivables.

#### (k) Financial Liabilities

The Scheme recognises financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Other payables are payable on demand or over short time frames of no more than than 60 days.

The Scheme recognises most financial liabilities at fair value as at the reporting date with any change in fair values since the beginning of the reporting period included in the Income Statement. Lease liabilities are recognised at amortised value as at the reporting date.

#### (l) 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. For most the Scheme'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.

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 (note 7(b)) and right-to-use assets and lease liabilities (note 3), which are brought to account in the statement of financial position.

#### (m) Structured Entities

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. This could be the case where voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Scheme invests in structured entities for the purpose of capital appreciation.

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The investee Schemes' objectives range from achieving medium to long term capital growth. The investee Schemes invest in different financial instruments, including equities and debt instruments. The size of a related investee Scheme is indicated by the net asset value of the Scheme per the investee Schemes' balance sheet. For unrelated Schemes, size is indicated by the carrying value of the Scheme's investment as recognised in the Scheme's statement of financial position as at reporting date as there is no other exposure to the Scheme other than the carrying value of its investments.

#### (n) Rounding of amounts

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

#### (o) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year information and other disclosures.

### 3. CHANGES IN ACCOUNTING POLICIES

As indicated in Note 2 the Scheme has adopted AASB 16 *Leases* from 1 July 2019 and has not restated comparatives for 30 June 2019 as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Scheme recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of AASB 117 *Leases*. These liabilities have been measured at the present value of the remaining lease payments, discounted using the lessee's weighted average incremental borrowing on 1 July 2019 of 4.85%.

In applying AASB 16, for all leases (except as noted below), the Scheme:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments
- Recognises depreciation of right of use assets and interest on lease liabilities in the income statement
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows

Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*.

The tables below show the amount of the adjustment for each financial statement line affected by the application of AASB 16.

#### Impact on statement of financial position as at 1 July 2019

	Previously reported \$'000	AASB 16 Adjustments \$'000	Restated 1 July 2019 \$'000
Right of use asset	-	1,457	1,457
Lease liability	-	(1,457)	(1,457)
Net assets available for members (total equity)	1,324,073	-	1,324,073

#### Impact on income statement

	2020 \$'000	2019 \$'000
<u>Existing leases at 1 July 2019</u>		
Right of use asset depreciation (other expenses)	(71)	-
Lease liability interest expense (other expenses)	(28)	-
	<hr/>	<hr/>
Increase/(decrease) in operating result before tax	(99)	-
	<hr/>	<hr/>

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## FINANCIAL INSTRUMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 4. FAIR VALUES OF FINANCIAL INSTRUMENTS

#### (a) Fair Value Estimation

The carrying amounts of all the Scheme's financial instruments at the balance date approximated their fair values. The major methods and assumptions used in determining fair value of financial instruments is disclosed in Note 2(d).

#### (b) Fair Value of Financial Instruments

The different levels have been defined as follows:

- Level 1: Inputs to the valuation methodology are readily available quoted prices (adjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), for substantially the full term of the financial instrument.
- Level 3: Inputs to the valuation methodology are valuation techniques using inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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.

30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets/(liabilities)</b>				
- Unlisted investment schemes	-	1,126,817	76,250	1,203,067
- Forward currency contracts	-	7,487	-	7,487
	<hr/>	<hr/>	<hr/>	<hr/>
	-	1,134,304	76,250	1,210,554
	<hr/>	<hr/>	<hr/>	<hr/>

The Scheme has classified private equity investments which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets as Level 3. The Scheme considers the valuation techniques and inputs used in valuing these trusts as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the net asset value of these trusts may be used as an input into measuring their fair value.

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## FINANCIAL INSTRUMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 4. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The Scheme values the Level 3 investments based on NAVs based on value of the underlying assets provided by the investment manager.

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

30 June 2020	Private Equities \$'000	Total \$'000
Opening Balance	51,771	51,771
Total gains and losses in profit or loss	(6,987)	(6,987)
Transfer in	-	-
Purchases	31,466	31,466
Sales	-	-
Closing Balance	76,250	76,250

Gains or losses included in the Income Statement are presented in net remeasurement changes in fair value as follows:

30 June 2020	\$'000
Total gains/(losses) included in income statement for the period	(6,987)
Total gains/(losses) included in income statement for the period for assets held at the end of the reporting period	(6,987)

30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
- Unlisted investment schemes	-	1,188,559	51,771	1,240,330
- Forward currency contracts	-	777	-	777
	-	1,189,336	51,771	1,241,107

#### (c) Offsetting financial assets and financial liabilities

Financial assets and liabilities 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. Some derivative instruments settle on a net basis through the statement of financial position in accordance with this convention, rather than through an offsetting arrangement. Under the terms of the FFX contracts where certain credit events occur (such as default), the net position owing/receivable to a single counterparty will be taken as owing and all the relevant arrangements terminated. As the Scheme does not presently have a legally enforceable right of off-set, these amounts have not been offset in the statement of financial position.

### 5. 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.

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## FINANCIAL INSTRUMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

#### (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 2020	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	575	575	-	-
Lease liabilities	1,457	14	14	1,429
Employee entitlements	120	-	-	120
Member benefit	1,187,319	1,187,319	-	-
<b>Total</b>	<b>1,189,471</b>	<b>1,187,894</b>	-	<b>1,577</b>

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	-	-
<b>Total</b>	<b>1,166,953</b>	<b>1,166,846</b>	-	<b>107</b>

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## FINANCIAL INSTRUMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

#### (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:

	<b>Fair Value 2020 \$'000</b>	<b>Fair Value 2019 \$'000</b>
Cash and cash equivalents	22,863	10,464
Term Deposits	30,000	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 \$264,315 (2019 \$252,320).

#### (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

## FINANCIAL INSTRUMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 5. 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 2020 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	295,410	15.34%	±45,316	±45,316
Overseas Equity	315,365	12.88%	±40,619	±40,619
Property	164,494	3.59%	±5,905	±5,905
Growth Alternatives	156,619	2.75%	±4,307	±4,307
Defensive Alternatives	196,947	0.58%	±1,142	±1,142
Bonds	36,880	1.94%	±715	±715
Cash	74,839	0.16%	±120	±120
<b>Total</b>	<b>1,240,554</b>		<b>±98,124</b>	<b>±98,124</b>
Term Deposits	30,000			
Investment Schemes	1,203,067			
Currency Contracts	7,487			
<b>Total</b>	<b>1,240,554</b>			

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	11.24%	±33,895	±33,895
Overseas Equity	331,167	11.08%	±36,678	±36,678
Direct Property	168,812	2.30%	±3,883	±3,883
Alternatives	203,190	2.66%	±5,405	±5,405
Bonds	140,169	2.66%	±3,728	±3,728
Cash	136,208	1.70%	±2,388	±2,388
<b>Total</b>	<b>1,281,107</b>		<b>±85,977</b>	<b>±85,977</b>
Term Deposits	40,000			
Investment Schemes	1,240,330			
Currency Contracts	777			
<b>Total</b>	<b>1,281,107</b>			

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

## FINANCIAL INSTRUMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 6. INVESTMENTS

	2020 \$'000	2019 \$'000
<u>Term Deposits</u>		
Bankwest term deposit	-	10,000
CBA term deposit	10,000	10,000
NAB term deposit	10,000	10,000
Westpac term deposit	10,000	10,000
	30,000	40,000
<u>Units in Unit Trusts</u>		
Alphinity Concentrated Australian Shares Fund	35,604	-
AMP Capital Diversified Property Fund	40,811	42,856
Ardea Real Outcome Fund	41,028	-
Australian Prime Property Fund	18,890	33,625
Bentham Wholesale Syndicated Loan Fund	69,589	64,189
Blackrock Multi Opportunity Fund	23,580	32,113
CFM Institutional Systematic Diversified Trust	20,262	25,221
CI Australian Equities Trust	94,092	99,897
Dexus Wholesale Property Fund	89,217	92,331
Hastings Utilities Trust of Australia	24,755	25,360
IFM Specialised Credit Floating Feeder Fund	58,603	-
IFM Specialised Credit Fund (Floating)	-	43,532
Insight Global Absolute Return Bond Fund	-	28,584
Lanyon Australian Share Fund	19,289	19,961
Macquarie True Index Cash Fund	9,213	8,245
Macquarie Global Income Opportunities	19,925	-
Macquarie Global Infrastructure Fund II (A)	547	4,442
MLC JANA Diversified Fixed Income Trust	36,132	36,843
MLC JANA Emerging Markets Share Trust	53,633	54,148
MLC JANA Tailored Trust No.6	256,046	276,337
Henderson Investment Trust (previously Perennial)	35,626	87,963
Perpetual Wholesale Concentrated Equity	50,393	54,397
PIMCO Absolute Return Strategy III Offshore	33,550	31,210
Solaris Core Fund	63,952	68,337
Tribeca Smaller Companies Fund	32,080	32,845
Yarra Australian Equities Fund	-	26,123
	1,126,817	1,188,559
<u>Overseas Investments</u>		
Crown Europe Small Buyouts III PLC	13,888	14,764
HarbourVest Partners Co-Investment	25,702	20,445
Kayne Anderson Core Intermediate Fund, L.P.	15,576	-
Partners Group Secondary 2011 (USD), S.C.A.	11,325	16,562
Resolution Life Group Holdings, L.P.	8,590	-
Siguler Guff Small Buyout Opportunities Fund IV (F), L.P.	1,169	-
	76,250	51,771
<b>TOTAL INVESTMENTS</b>	<b>1,233,067</b>	<b>1,280,330</b>

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## MEMBER LIABILITIES, RESERVES, AND INSURANCE FOR THE YEAR ENDED 30 JUNE 2020

### 7. MEMBER LIABILITIES AND SCHEMEING 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 2020 there were 5 employees directly employed to manage the Scheme (2019: 6 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:

	2020 \$'000	2019 \$'000
Member benefits at end of the financial year	501,124	472,472
Vested benefits	501,124	472,472

#### (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

## MEMBER LIABILITIES, RESERVES, AND INSURANCE FOR THE YEAR ENDED 30 JUNE 2020

### 7. MEMBER LIABILITIES AND SCHEMEING 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 6.2% (2019 6.6%)
- A salary increase rate of between 2.5% and 4.0% pa depending on the employer
- A future pension increase rate of 2.25% pa (2019 2.5%)
- 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:

	<b>2020</b> <b>\$'000</b>	<b>2019</b> <b>\$'000</b>
Member accrued benefits	686,195	693,874
Member vested benefits	707,754	711,384
Net assets available to pay benefits	822,949	865,260
Vested benefit index	116%	112%

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 2020 reporting period. The future rate of investment return  $\pm 1\%$  (2019:  $\pm 1\%$ ).

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

	<b>2020</b> <b>\$'000</b>	<b>2019</b> <b>\$'000</b>
<b>Reasonable possible change in key assumptions</b>		
Increase in future rate of investment return and no change in other assumptions	(46)	(46)
Decrease in future rate of investment return and no change in other assumptions	55	55

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 2017. 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

## MEMBER LIABILITIES, RESERVES, AND INSURANCE FOR THE YEAR ENDED 30 JUNE 2020

### 8. 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:

	<b>Defined Contribution \$'000</b>	<b>Defined Benefit \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2020</b>			
Insurance premiums charged to member's accounts	(817)	(294)	1,111
Tax benefit from deductible premiums	123	44	(167)
<b>Year ended 30 June 2019</b>			
Insurance premiums charged to member's accounts	912	151	1,063
Tax benefit from deductible premiums	(136)	(23)	(159)

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.

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Notional insurance premium	104	125
Section 295-465 self insurance tax benefit	(16)	(19)

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.

## ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

### OTHER DETAILED DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

<b>9. BENEFITS PAID</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Death	74	2,316
Disablement	498	275
Early retirement	3,858	4,040
Late retirement	5,550	7,585
In service and other benefits	7,249	5,876
Resignation	7,531	5,914
Retrenchment	76	-
	<hr/>	<hr/>
TOTAL BENEFITS PAID	24,836	26,006
	<hr/>	<hr/>
<b>10. RECEIVABLES</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Contributions receivable	29	359
GST receivable	57	45
Accrued interest	85	338
Trust distributions receivable	38,967	41,692
Investment proceeds receivable	10,000	-
	<hr/>	<hr/>
TOTAL RECEIVABLES	49,138	42,434
	<hr/>	<hr/>
<b>11. CREDITORS AND ACCRUALS</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Administration	194	195
Audit fees	46	71
Consulting fees	70	93
Investment expenses	71	29
Legal fees	3	20
PAYG withholding tax	54	72
Sundry creditors	124	7
Tax agent fees	9	6
Unallocated contributions	4	7
	<hr/>	<hr/>
TOTAL CREDITORS AND ACCRUALS	575	500
	<hr/>	<hr/>

## ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

### OTHER DETAILED DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

#### 12. GENERAL ADMINISTRATION EXPENSES

	2020 \$'000	2019 \$'000
Administration fees	1,199	1,040
Audit fees	46	92
Consulting fees (Note 12(a))	185	303
Financial Planning Services	68	38
Fringe Benefit Tax	9	-
Legal fees	87	52
Office expenses	926	771
Project costs	-	51
Sundry expenses	72	80
Tax agent fees	13	8
Trustee expenses	305	332
Trustee indemnity insurance	56	49
	<hr/>	<hr/>
TOTAL GENERAL ADMINISTRATION EXPENSES	2,966	2,816

#### 12(a) CONSULTING FEES

	No	2020 \$'000	No	2019 \$'000
Consulting fees comprise of the following:				
Below \$10,000	5	27	4	22
Between \$10,000 and \$50,000	9	158	7	165
Above \$50,000	-	-	2	116
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	14	185	13	303

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

#### 13. TAXATION

	2020 \$'000	2019 \$'000
<b>(a) Recognised in Income Statement</b>		
Current income tax		
- Current tax charge	1,627	1,199
- Adjustment to current tax for prior period	391	169
Deferred income tax		
- Movement in temporary differences	(6,259)	331
	<hr/>	<hr/>
Income tax expense/(benefit)	(4,241)	1,699

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## OTHER DETAILED DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

### 13. TAXATION (CONTINUED)

	2020 \$'000	2019 \$'000
<b>(b) Numerical reconciliation between tax expense and profit before Income tax</b>		
Profit before income tax	(10,729)	75,765
Tax applicable at the rate of 15% (2019: 15%)	(1,609)	11,365
Tax effect of income/losses that are not assessable or deductible in determining taxable income		
- Investments	2,218	(2,284)
Tax effect of other adjustments		
- Imputation & foreign tax credits	(3,276)	(5,010)
- Exempt pension income	(1,964)	(2,522)
- Non-deductible expenses	15	-
- Self-insurance deduction	(16)	(19)
- Under/(over) provision prior periods	391	169
Income tax expense/(benefit)	(4,241)	1,699
<b>(c) Recognised in the statement of changes in members benefits</b>		
Contributions and transfers in recognised in the statement of changes in members benefits (note 14)	49,715	54,381
Tax applicable at the rate of 15% (2019: 15%)	7,457	8,157
Tax effect of items not assessable or (deductible) in determining taxable income		
- Member contributions	(815)	(647)
- Transfers in	(1,543)	(2,105)
- Section 295-180 contributions not assessable	(1,105)	(862)
- Insurance premium tax benefit	(167)	(159)
- Under/(over) provision prior periods	(784)	(35)
Income tax expense	3,043	4,349
Allocated as follows:		
Income tax on contributions	3,210	4,508
Tax benefit from deductible premiums	(167)	(159)
Income tax expense	3,043	4,349

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## OTHER DETAILED DISCLOSURES FOR THE YEAR ENDED 30 JUNE 2020

### 13. TAXATION (CONTINUED)

	2020 \$'000	2019 \$'000
<b>(d) Current tax liabilities/(assets)</b>		
Balance at beginning of year	3,901	3,994
Income tax (paid)/refunded – prior periods	(2,947)	(4,129)
Income tax paid – current period	(3,826)	(3,649)
Current years income tax provision	6,338	7,551
Under/(over) provision prior periods	(955)	134
	2,511	3,901

### (e) Deferred tax assets

The amount of deferred tax asset recognised in the Statement of Financial Position:

Accrued expenses	26	28
Future untaxed pensions	23,379	22,536
	23,405	22,564

### (f) Deferred tax liabilities

The amount of deferred tax liabilities recognised in the Statement of Financial Position:

Accrued income	49	122
Unrealised capital gains (discounted)	8,583	14,207
Employer contributions receivable	4	49
	8,636	14,378

### 14. RECLASSIFICATION OF PRIOR YEAR FIGURES

The Transfer in/(out) from defined benefit members has been offset in the Statement of Changes in Members Benefits contributions revenue for the year ended 30 June 2020. The prior year has been reclassified to achieve consistency in disclosure with current financial year information and other disclosures.

	Total 2019 previously classified \$'000	Total 2019 reclassification \$'000	Total 2019 classified \$'000
<b>CONTRIBUTION REVENUE</b>			
Transfers from Defined Benefit	13,233	(13,233)	-
Net after tax contributions	63,106	(13,233)	49,873
<b>BENEFITS PAID</b>			
Transfers from Defined Benefit	(13,233)	13,233	-
Net after tax contributions	(63,309)	13,233	(50,076)



# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## CASH FLOW INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

### 15. CASH FLOW INFORMATION

	2020 \$'000	2019 \$'000
<b>(a) Reconciliation of Net Cash provided by Operating Activities to Profit/(Loss) After Tax</b>		
Net profit/(loss) after tax	(34,632)	(15,517)
Net benefit to member accounts	28,144	89,583
Changes in fair value of assets	82,601	791
Trust distributions	(39,595)	(70,228)
Other investment income	(1,240)	(1,226)
Investment expenses	746	438
(Increase)/Decrease in receivables	2,966	8,923
(Increase)/Decrease in prepayments	(6)	1,007
(Increase)/Decrease in right of use asset	(1,357)	-
(Increase)/Decrease in deferred tax	(5,695)	(1,061)
Increase/(Decrease) in creditors and accruals	93	(166)
Increase/(Decrease) in current tax liabilities	(2,111)	44
Increase/(Decrease) in employee entitlements	13	12
Increase/(Decrease) in lease liability	1,457	-
<b>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>	<b>31,384</b>	<b>12,600</b>
<b>(b) Reconciliation of Cash</b>		
Cash and cash equivalents	22,863	10,464
<b>(c) Non cash investing activities</b>		
During the year the following non cash investing activities occurred:		
Trust distributions reinvested	39,595	70,228
Other investment income	1,240	1,226

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## OTHER INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

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### 16. 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: 01/07/19 to 30/06/20

Mr Patrick Makinson

Period: 01/07/19 to 30/06/20

Mr Damien Rice

Period: 01/07/19 to 30/06/20

Ms Kylie Johnson

Period: 01/07/19 to 30/06/20

Ms Ann Perriam

Period: 01/07/19 to 30/06/20

(Alternate to K Johnson 01/07/19 to 30/06/20)

##### Independent Chairman

Mr Peter Siebels

Period: 01/07/19 to 30/06/20

##### Unions SA appointed Trustees

Mr John Adley

Period: 01/04/20 to 30/06/20

(Alternate to B Jewell 01/07/19 to 31/03/20)

Mr Darryl Anthony

Period: 01/07/19 to 25/11/19

Mr Ben Jewell

Period: 01/07/19 to 31/03/20

(Alternate to J Adley 01/04/20 to 30/06/20)

Mr Scott Cowen

Period: 26/11/19 to 30/06/20

##### Member elected Trustees

Mr Mark Vincent

Period: 01/07/19 to 30/06/20

Ms Janette Bettcher

Period: 01/07/19 to 30/06/20

#### (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 \$84,911 including GST (2019: \$82,902 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

No payments to Employers were made in the year ended 30 June 2020. In the prior year 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

## OTHER INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

### 17. AUDITOR'S REMUNERATION

	2020	2019
	\$	\$
Amounts paid or due and payable to the PricewaterhouseCoopers for the audit of the financial report (GST exclusive)	57,225	-
Amounts paid or due and payable to the Auditor-General Department for the audit of the financial report (GST exclusive)	-	64,500

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

### 18. COVID-19 IMPACT ON FINANCIAL STATEMENTS

The Trustee considered the following matters relating to the potential impact of the COVID-19 pandemic in the preparation of these financial statement and related disclosures.

- evaluation of any areas of judgment or estimation uncertainty;
- assessment and disclosure of the fair value of the Scheme's assets and liabilities;
- assessment and disclosures in relation to financial risk management, including stress testing scenarios which are an integral component of the Trustee's risk management framework to assess the potential impacts on the portfolio valuations and liquidity;
- review of external market communications, public forecasts and experience from previous economic downturns to identify potential impacts; and
- adoption of significant assumptions used to value the Scheme's defined benefit member liabilities.

Key impacts of COVID-19 on the financial statements are summarised below.

#### **Volatility in global and domestic investment markets**

The sensitivity analysis of various financial risks, including the sensitivity in market risk for various asset classes is disclosed in Note 5. The sensitivity in the underlying markets has been derived through a blend of historical analysis and the views of management, the Scheme's investment consultant and the Trustee. However, due to the nature of the pandemic there is a high degree of uncertainty regarding its ultimate impact on financial markets and it is therefore not possible to reliably determine the future impact, if any, COVID-19 may have on the Scheme.

#### Fair value of financial instruments

The Scheme reviewed the inputs to its valuation of financial instruments disclosed in Note 4 as well as performing out of cycle valuations to include a consideration of the impact of COVID-19.

#### Risk management

The risk management framework continues to be applied across the Scheme's operations and management and the Trustee continues to monitor the impact of COVID-19 on the Scheme's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by staff, counterparties and service providers, have been identified, assessed, managed and governed through timely application of the Trustee's risk management framework.

The Trustee considers liquidity to be impacted through a range of possible factors, including:

- increasing benefit payments through the Early Release Scheme; and
- members shifting into cash or defensive investment options.

Management of liquidity risk is a key element of the Scheme's investment processes. The approach to managing liquidity is outlined in Note 5 which is approved by the Trustee and implemented by management.

Measures implemented to monitor the effects of the pandemic on the Scheme, include:

- continual management of the cash flow position;
- active management of each investment option in line with its long-term investment strategy;
- preparing for events that may affect liquidity; and
- frequent stress-testing the portfolios for a range of scenarios.

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## OTHER INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

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### 18. COVID-19 IMPACT ON FINANCIAL STATEMENTS (CONTINUED)

#### **Early release of superannuation benefits**

On 22 March 2020 the Australian Government announced the COVID-19 Early Release of Superannuation Scheme (ERS) as a temporary measure to stimulate the Australian economy. The ERS allowed eligible members to access up to \$10,000 of their superannuation prior to 30 June 2020. Members withdrew \$874,922 in benefits under the ERS prior to 30 June 2020 which has been reflected in the benefits paid in the financial statements. Members are entitled to apply to withdraw a second benefit payment of up to \$10,000 prior to 31 December 2020.

#### **Defined benefit member liabilities**

The Scheme reviewed the appropriateness of the significant assumptions used in its valuation of defined benefit member liabilities and disclosures of changes in these assumptions and the impact these may have on the defined benefit surplus as disclosed in Note 7.

### 19. SUBSEQUENT EVENTS

At the date of signing the financial statements, there is uncertainty on the likely duration and the ultimate impact of COVID-19 on financial markets.

Other than the matter outlined above, there have been no other events subsequent to balance date which would have a material effect on the Scheme's financial statements at 30 June 2020.

# ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

## STATEMENT BY TRUSTEE

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In the opinion of the Trustee we certify:

- (a) the accompanying financial statements and notes set out on pages 2 to 28 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 2020 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 **25** day of **September** .....2020.



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

Report by the Auditor to the to the members and the Trustee of the Electricity Industry Superannuation Scheme

### ***Opinion***

I have audited the financial statements of Electricity Industry Superannuation Scheme (the Trust) for the year ended 30 June 2020, comprising the statement of financial position, the income statement, the statement of changes in members benefits, the statement of changes in equity, the statement of cash flows, the notes to the financial statements, which include a summary of significant accounting policies and the statement by the trustee.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Electricity Industry Superannuation Scheme as at 30 June 2020 and the results of its operations, cash flows, changes in equity and changes in members' benefits for the year ended 30 June 2020.

### ***Basis for opinion***

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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 Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the Section 18 (2) of Schedule 1 of the Electricity Corporations Act 1994 ("the Act"). 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 Trust 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 Trust or to cease operations, or has no realistic alternative but to do so.



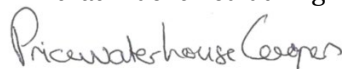
**Independent Auditor's report on financial statements  
Report by the Auditor to the to the members and the Trustee of the  
Electricity Industry Superannuation Scheme (continued)**

**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 Trust'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 Trust'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's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the trust 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.

  
PricewaterhouseCoopers

  
Marcus Lojszczyk  
Partner

Adelaide  
25 September 2020