

Essential Super

Annual Report 2018

Colonial First State Investments Limited

ABN 98 002 348 352

AFS Licence 232468

RSE Licence L0002196





We are pleased to present the Annual Report for the financial year ended 30 June 2018.

This Annual Report is the final component of the reporting information for the 2017–18 financial year.

If you have any questions about the Annual Report please call us on 13 4074 Monday to Friday, 8am to 7pm, Sydney time.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'L Elkins', written in a cursive style.

Linda Elkins
Executive General Manager
Colonial First State

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The Trustee, Colonial First State Investments Limited, can be contacted as follows:

Postal Address: 11 Harbour Street, Sydney NSW 2000

Phone Number: 13 4074

Fax Number: (02) 9303 3200

These accounts were prepared on 30 November 2018.

Investment options – Commonwealth Essential Super

Please refer to our website, commbank.com.au/super and look for our **Investment fact sheets** section to find the objective's and strategies of each investment option, available free of charge or call us on 13 4074 for more information.

Investment options	Underlying manager(s)
1940's Lifestage option	Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia
1950's Lifestage option	Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia
1960's Lifestage option	Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia
1970's Lifestage option	Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia
1980's Lifestage option	Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia
1990's Lifestage option	Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia
2000's Lifestage option	Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia
Balanced option	Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia
Cash Deposit option	Commonwealth Bank of Australia
Australian Shares option	Colonial First State Global Asset Management

Asset allocation as at 30 June 2018 (%) – Commonwealth Essential Super

Essential Super Australian Shares option	2017	2018
Australian shares	98.12%	98.23%
Global shares	0.00%	0.00%
Property securities	0.00%	0.00%
Fixed interest	0.00%	0.00%
International fixed interest	0.00%	0.00%
Cash	1.88%	1.77%
Essential Super Balanced option	2017	2018
Australian shares	20.26%	20.18%
Global shares	24.83%	19.91%
Property securities ¹	4.33%	8.71%
Fixed interest	18.03%	17.77%
International fixed interest	11.66%	11.72%
Cash	20.89%	21.71%
Essential Super Cash Deposit option	2017	2018
Australian shares	0.00%	0.00%
Global shares	0.00%	0.00%
Property securities	0.00%	0.00%
Fixed interest	0.00%	0.00%
International fixed interest	0.00%	0.00%
Cash	100.00%	100.00%
Essential Super 1940's Lifestage option	2017	2018
Australian shares	15.82%	15.50%
Global shares	19.64%	15.32%
Property securities ¹	3.88%	7.62%
Fixed interest	19.10%	18.58%
International fixed interest	10.73%	10.47%
Cash	30.83%	32.51%
Essential Super 1950's Lifestage option	2017	2018
Australian shares	15.84%	15.73%
Global shares	19.74%	15.39%
Property securities ¹	3.77%	7.72%
Fixed interest	18.93%	18.73%
International fixed interest	10.72%	10.63%
Cash	31.00%	31.80%

¹ Effective 30 June 2018, the reporting of Infrastructure allocation has changed from Global Shares to Property.

Asset allocation as at 30 June 2018 (%) – Commonwealth Essential Super

Essential Super 1960's Lifestage option	2017	2018
Australian shares	25.42%	24.24%
Global shares	31.06%	23.78%
Property securities ¹	5.34%	10.34%
Fixed interest	14.04%	14.06%
International fixed interest	7.97%	8.32%
Cash	16.17%	19.26%
Essential Super 1970's Lifestage option	2017	2018
Australian shares	32.78%	32.67%
Global shares	39.24%	31.78%
Property securities ¹	6.75%	13.46%
Fixed interest	8.89%	8.78%
International fixed interest	5.78%	5.77%
Cash	6.56%	7.54%
Essential Super 1980's Lifestage option	2017	2018
Australian shares	32.86%	32.67%
Global shares	39.06%	31.50%
Property securities ¹	6.80%	13.60%
Fixed interest	8.99%	8.86%
International fixed interest	5.87%	5.83%
Cash	6.42%	7.54%
Essential Super 1990's Lifestage option	2017	2018
Australian shares	32.81%	32.55%
Global shares	39.03%	31.71%
Property securities ¹	6.84%	13.52%
Fixed interest	8.99%	8.85%
International fixed interest	5.88%	5.82%
Cash	6.45%	7.55%
Essential Super 2000's Lifestage option	2017	2018
Australian shares	32.87%	32.88%
Global shares ¹	40.59%	31.54%
Property securities	6.99%	13.37%
Fixed interest	9.09%	8.70%
International fixed interest	5.95%	5.71%
Cash	4.51%	7.80%

¹ Effective 30 June 2018, the reporting of Infrastructure allocation has changed from Global Shares to Property.

Performance returns as at 30 June 2018 (%) – Commonwealth Essential Super

	Annual effective rate of net earnings ¹					5 year compound average rate of return	Since inception
	2018	2017	2016	2015	2014		
Essential Super Australian Shares option	11.86	12.99	1.04	5.66	15.39	9.26	8.74
Essential Super Balanced option	5.91	6.00	3.85	6.91	10.54	6.62	6.33
Essential Super Cash Deposit option	1.28	1.29	1.67	2.01	2.15	1.68	1.69
Essential Super 1940's Lifestage option	4.89	4.85	3.74	6.13	9.02	5.71	5.47
Essential Super 1950's Lifestage option	4.84	4.81	3.63	6.08	9.93	5.84	5.57
Essential Super 1960's Lifestage option	6.92	7.85	3.41	8.47	14.30	8.13	7.85
Essential Super 1970's Lifestage option	8.75	9.78	3.34	9.07	14.66	9.06	8.66
Essential Super 1980's Lifestage option	8.73	9.82	3.38	9.06	14.63	9.06	8.68
Essential Super 1990's Lifestage option	8.74	9.86	3.40	9.09	14.62	9.08	8.71
Essential Super 2000's Lifestage option	8.59	–	–	–	–	–	8.10

¹ The annual effective rate of net earnings is calculated on an exit price to exit price basis, net of taxes payable and after ongoing fees and expenses, but excluding individual taxes.

Past performance is no indication of future performance.

Other important information

This information is relevant to and forms part of the Annual Report contained in this booklet.

Guarantee under RSE Licence

The Trustee has the benefit of a guarantee of \$5 million from Commonwealth Bank of Australia (ABN 48 123 123 124) in respect of the due performance of its duties as an RSE Licensee. Commonwealth Bank of Australia is the ultimate holding company of the Trustee. The guarantee is available for inspection by contacting the Company Secretary of the Trustee.

CBA and its subsidiaries do not guarantee the performance of or the repayment of capital by Essential Super. Investments in Essential Super are not deposits or other liabilities of CBA or its subsidiaries, and the investment-type products are subject to investment risk, including loss of income and capital invested.

Indemnity insurance

The Trustee is responsible for its activities and carries professional indemnity insurance.

Method of allotment of earnings in all investment options

All income, including realised and unrealised capital gains and losses, and expenses for all investment options are brought to account and are fully reflected in the unit price of that option. Income tax as appropriate is provided for in the unit price for each investment option.

Trustee's policy for the use of derivatives

The Trustee has a detailed Derivatives Risk Management Policy which covers the use of derivatives, the controls over their use, and the processes of assessing compliance with those controls. These policies and controls are intended to ensure proper use of derivatives.

Commonwealth Essential Super Fund (the Fund) has an indirect exposure to derivatives through its investments in other managed investment schemes managed by the Trustee. Derivatives are used in the underlying investments as an alternative to direct purchases or sales and not for trading purposes.

Taxation matters

- Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information.
- Commonwealth Bank is also not a registered tax (financial) adviser under the Tax Agent Services Act 2009 and you should seek tax advice from a registered tax agent or a registered tax (financial) adviser if you intend to rely on this information to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law.

Temporary residents

You can receive a Departing Australia Superannuation Payment (DASP) benefit equal to your account balance (less tax), if:

- you are not an Australian or New Zealand citizen, are not a permanent resident in Australia or do not hold a 405 or 410 retirement visa
- you leave Australia
- your temporary visa is no longer valid, and
- we get written evidence from the Department of Immigration to confirm these facts.

Other important information

To claim your DASP benefit:

- Complete the DASP online application at www.ato.gov.au (search for 'DASP online application system'), and
- Post a certified copy of your original identification document(s) to us for the purposes of anti-money laundering laws.

For further information about superannuation for temporary residents, refer to www.ato.gov.au.

The only other benefits that you may receive from Essential Super as a temporary resident are:

- a death benefit
- a total and permanent disablement benefit
- temporary disability benefit
- a terminal illness benefit, or
- a release authority for excess contributions tax.

We'll withhold the taxable part of your DASP benefit. Speak to a tax adviser or contact the Australian Taxation Office (ATO) to find out what tax rates apply to your DASP benefit.

It's important to ask for your DASP benefit to be paid to you within six months of the day when your temporary visa expires and you leave the country (whichever happens latest). If you don't, we may have to pay your account balance to the ATO. In addition, you will no longer be an Essential Super member, your money will no longer be invested in your chosen investment options, and you'll lose any insurance cover you had with the Fund.

According to ASIC Class Order 09/437, we don't have to let you know that we're transferring your benefit to the ATO or give you an exit statement.

You can still claim your account balance after we've transferred it to the ATO.

You can do this by using the online application system, which is available on the ATO website at ato.gov.au/Forms/Application-for-payment-of-ATO-held-superannuation-money/

Working holiday makers

From 1 July 2017, Departing Australia Superannuation Payments (DASPs) made to working holiday makers will be taxed at a different rate to those paid to temporary residents. You are classified as a working holiday maker where you hold or have held a 417 Working Holiday visa or a 462 Work and Holiday visa. Please refer to the ATO site for further information: Working-Holiday-Makers/.

Transfer to the Eligible Rollover Fund (ERF)

If your account is low, or written communications are returned unclaimed (defined as 'lost' under superannuation law), we have the discretion to transfer your benefit to an ERF (after deducting any outstanding fees, taxes and liabilities). We will contact you at your last known address before transferring your account to the ERF.

The ERF selected by Colonial First State is the SuperTrace Eligible Rollover Fund (SuperTrace) ABN 73 703 878 235 which can be contacted at:

Fund Administrator
SuperTrace Eligible Rollover Fund
(SuperTrace)
Locked Bag 5429
Parramatta NSW 2124
Call: 1300 788 750

The trustee is Colonial Mutual Superannuation Pty Ltd ABN 56 006 831 983.

Other important information

If your benefit is transferred to SuperTrace, you will cease to be a member of the Fund. You will cease to have rights associated with the Fund, and will no longer receive regular statements from Colonial First State. Being transferred to the ERF may affect your benefits for the following reasons:

- You will become a member of the SuperTrace fund and be subject to its governing rules.
- You can contact SuperTrace to ask for a copy of its PDS.
- SuperTrace will apply a different fee structure. You should refer to its PDS for circumstances in which fees may apply.
- SuperTrace does not offer insurance benefits in the event of death or disablement.
- SuperTrace invests your benefit in a low risk strategy, which directly affects the rate of interest credited to your account. You should evaluate whether this strategy is appropriate to your specific circumstances.

Unclaimed money and lost members

We may be required to pay your account balance to the ATO if:

- you are 65 years or older, we have not received a contribution in two years, and we have been unable to contact you for five years
- your account is subject to a family law payment split, but we are unable to identify the ex-spouse entitled to the super benefit
- you are deceased, we have not received a contribution or rollover for you in the past two years, and we can't (after reasonable attempts and a

reasonable period of time) identify a person entitled to your super benefit

- you are a lost member and either:
 - your account balance is less than \$6,000, or
 - we have not received an amount in respect of you in the last 12 months, and we do not have enough information to identify you and would not be able to pay an amount to you.

You will be a lost member where:

- at least one written communication has been sent back to us undelivered and we believe you can no longer be contacted, or we've never had an address for you, and we have not received a contribution or rollover for you within the last 12 months and you have not contacted the fund or accessed information about your account electronically within the last 12 months, or
- you joined the fund as a result of an agreement between your employer and the trustee of the fund, and you have been a member of the fund for longer than two years, and the fund has not received a contribution or rollover in respect of you in five years.

If your account balance is transferred to the ATO, you will no longer be a member of FirstChoice and you will lose any insurance cover. You will also no longer be invested in your chosen investment option(s).

From 1 July 2013, interest will accrue on your account balance from the time it is paid to the ATO. You may claim your benefit by completing the online application, or downloading a paper application form, from www.ato.gov.au.

Other important information

Payment of superannuation contribution surcharge

Payments of the superannuation contribution surcharge if applicable are paid by deductions from your account, or, if the Trustee receives an assessment after you have left, it will generally be forwarded on to the fund or institution to which you have transferred your benefit.

Further information you may request to receive

You may also request the following additional information from Colonial First State at any time, free of charge:

- the full audited financial statements for the Fund
- a copy of the most recent Product Disclosure Statement covering the relevant investment strategies and options, contribution levels and insurance cover of the Fund
- audited financial statements for Colonial First State Investments Limited
- the Trust Deed governing Commonwealth Essential Super
- information published on any of the underlying funds that the investment options invest in, and
- performance reports for each of the investment options comprising Essential Super, which are updated quarterly.

Regulatory changes

The information contained in the following sections is general information only and does not take into account your objectives, personal financial situation or needs. You should assess whether the information is appropriate for you and talk to your financial planner for further information. The information in this section is current as of 1 October 2018.

Recent legislative changes to superannuation

The following are some key changes to superannuation legislation which took effect on 1 July 2018.

Catch-up concessional contributions

From 1 July 2018, individuals who have not fully used their concessional contributions cap are able to carry forward unused cap amounts to future financial years. Access to these unused cap amounts can apply from 1 July 2019 and will be limited to those individuals with a total superannuation balance of less than \$500,000 and unused amounts from the previous five financial years (starting from 1 July 2018).

First home super saver scheme

From 1 July 2017, you can make additional pre-tax or after tax voluntary contributions¹ to super to save for your first home. As super is concessional tax, saving through super may allow you to save for your first home more quickly.

You can contribute up to \$15,000 pa (\$30,000 in total) in voluntary contributions under the scheme. From 1 July 2018, you can then withdraw the contributed amounts plus a deemed earnings amount to help fund the purchase of your first home. You must receive the withdrawal prior to entering into a contract to purchase or construct your first home. Amounts withdrawn

(excluding after tax contributions) form part of your assessable income but provide you with a 30% non-refundable tax offset.

For further information about the First home super saver scheme, please refer to www.ato.gov.au.

Upcoming legislative changes to superannuation

Changes to superannuation fees

From 1 July 2019, the Government has announced it will introduce a 3% annual cap on investment and administration fees charged by superannuation funds on accounts with balances below \$6,000. In addition, exit fees on all superannuation accounts will be banned from 1 July 2019.

At the time of writing, this proposal had not been legislated.

Changes to insurance cover within super

From 1 July 2019, the Government will prevent insurance being offered on an opt-out basis to members with balances below \$6,000, members with inactive accounts and new members under age 25.

At the time of writing, this proposal had not been legislated.

Reuniting small inactive superannuation accounts

From 1 July 2019, the Government will require all inactive superannuation accounts with balances below \$6,000 to be transferred to the Australian Taxation Office (ATO), unless the member has opted-in to hold insurance in the fund. The ATO will then use data matching to proactively reunite these inactive accounts with a member's active account, where possible.

At the time of writing, this proposal had not been legislated.

¹ The amount of voluntary pre-tax contribution amounts able to be withdrawn is reduced by 15% to allow for contributions tax.

Investment with a market value of over 5% of the Fund

Investments Directly Held	%	Investments Indirectly Held	%
Commonwealth Essential Super Lifestage Fund 1950–1959	6%	Commonwealth Global Share Fund 16	8%
		Commonwealth Essential Super Cash Fund	29%
		Colonial First State Wholesale Indexed Australian Share Fund	16%
		Colonial First State Wholesale Indexed Global Share Fund	8%
		Colonial First State Wholesale Indexed Australian Bond Fund	19%
		Colonial First State Wholesale Indexed Global Bond Fund	11%
Commonwealth Essential Super Lifestage Fund 1960–1969	14%	Commonwealth Global Listed Infrastructure Fund 6	5%
		Commonwealth Global Property Securities Fund 4	5%
		Commonwealth Global Share Fund 16	12%
		Commonwealth Essential Super Cash Fund	17%
		Colonial First State Wholesale Indexed Australian Share Fund	25%
		Colonial First State Wholesale Indexed Global Share Fund	12%
		Colonial First State Wholesale Indexed Australian Bond Fund	14%
		Colonial First State Wholesale Indexed Global Bond Fund	8%
Commonwealth Essential Super Lifestage Fund 1970–1979	22%	Commonwealth Global Listed Infrastructure Fund 6	7%
		Commonwealth Global Property Securities Fund 4	7%
		Commonwealth Global Share Fund 16	16%
		Colonial First State Wholesale Indexed Australian Share Fund	33%
		Colonial First State Wholesale Indexed Global Share Fund	17%
		Colonial First State Wholesale Indexed Australian Bond Fund	9%
Commonwealth Essential Super Lifestage Fund 1980–1989	35%	Commonwealth Global Listed Infrastructure Fund 6	7%
		Commonwealth Global Property Securities Fund 4	7%
		Commonwealth Global Share Fund 16	16%
		Colonial First State Wholesale Indexed Australian Share Fund	33%
		Colonial First State Wholesale Indexed Global Share Fund	16%
		Colonial First State Wholesale Indexed Australian Bond Fund	9%
		Colonial First State Wholesale Indexed Global Bond Fund	6%
Commonwealth Essential Super Lifestage Fund 1990–1999	15%	Commonwealth Global Listed Infrastructure Fund 6	7%
		Commonwealth Global Property Securities Fund 4	7%
		Colonial First State Wholesale Indexed Australian Share Fund	33%
		Commonwealth Global Share Fund 16	16%
		Colonial First State Wholesale Indexed Australian Bond Fund	9%
		Colonial First State Wholesale Indexed Global Share Fund	16%
		Colonial First State Wholesale Indexed Global Bond Fund	6%

Abridged financial report

The financial report of **Commonwealth Essential Super** (the Fund) has been audited by PricewaterhouseCoopers, and in their opinion, present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Fund as at 30 June 2018 and the results of its operations for the year ended 30 June 2018. Set out below is an abridged version of the accounts for the Fund for the year to 30 June 2018 along with comparatives for the year to 30 June 2017. The abridged financial report is unaudited and only the annual financial report has been audited. For a better understanding of the financial report and auditor's report, the abridged financial information should be read in conjunction with the annual financial report for the year ended 30 June 2018.

Statement of Financial Position as at 30 June 2018	2018	2017
	\$'000	\$'000
Assets		
Cash and cash equivalents	207,790	176,530
Contributions receivable	–	5,826
Receivables	159	301
Investments	3,225,146	2,581,906
Total assets	3,433,095	2,764,563
Liabilities		
Benefits payable	–	1,289
Other payables	2,335	2,023
Income tax payable	8,017	3,196
Deferred tax liabilities	26,035	12,265
Total liabilities excluding member benefits	36,387	18,773
Net assets available for member benefits	3,396,708	2,745,790
Defined contribution member liabilities	3,395,939	2,744,576
Total net assets	769	1,214
Equity		
Unallocated surplus/(deficit)	769	1,214
Total equity	769	1,214

Income Statement for the year ended 30 June 2018	2018 \$'000	2017 \$'000
Superannuation activities		
Interest revenue	2,816	2,401
Distribution income	90,593	61,653
Net changes in fair value of financial instruments	146,550	112,309
Other income	198	265
Total income	240,157	176,628
Administration expenses	17,921	14,017
Total expenses	17,921	14,017
Results from superannuation activities before income tax expense	222,236	162,611
Income tax benefit/(expense)	(6,257)	(5,794)
Results from superannuation activities after income tax expense	215,979	156,817
Net benefits allocated to defined contribution members	(216,424)	(156,066)
Operating result after income tax	(445)	751

Statement of Changes in Member Benefits for the year ended 30 June 2018	2018 \$'000	2017 \$'000
Opening balance of member benefits	2,744,576	1,533,976
Member contributions	42,982	60,816
Employer contributions	532,147	412,776
Transfers from other superannuation funds	292,167	878,263
Transfers to other superannuation funds	(252,889)	(142,753)
Income tax on contributions	(80,115)	(61,238)
Net after tax contributions	534,292	1,147,864
Benefits to members or beneficiaries	(81,816)	(79,502)
Death and disability benefits credited to member accounts	8,747	5,952
Insurance premiums charged to members	(26,284)	(19,780)
Net benefits allocated comprising:		
– Net investment income	234,345	170,083
– Net administration fees	(17,921)	(14,017)
Closing balance of members benefits	3,395,939	2,744,576



Call us on 13 4074



Email us on contactessentialsuper@cba.com.au



Visit commbank.com.au/super

Things you should know: Colonial First State Investments Limited ABN 98 002 348 352, AFSL 232468 (CFS) is the issuer of interests in Commonwealth Essential Super ABN 56 601 925 435 (Essential Super) and is a wholly owned subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124 (Bank). This document may include general financial product advice but does not consider your individual objectives, financial circumstances or needs. You should read the Product Disclosure Statement (PDS) and the Reference Guide for Essential Super carefully and consider whether the information is appropriate for you before making any decision regarding this product. Download the PDS and Reference Guide at or call us on 13 4074 for a copy. The Bank and its subsidiaries do not guarantee the performance of Essential Super and an investment in this product is subject to risk, loss of income and capital invested. An investment in Essential Super is via a superannuation trust and is therefore not an investment in, deposit with or other liability of the Bank or its subsidiaries. Where we mention 'we', 'us' or 'our', we mean CFS.

Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information. Colonial First State Investments Limited is also not a registered tax (financial) adviser under the Tax Agent Services Act 2009 and you should seek tax advice from a registered tax agent or a registered tax (financial) adviser if you intend to rely on this information to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law.

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