

**COLONIAL MUTUAL
SUPERANNUATION PTY. LTD.**

ABN 56 006 831 983

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

CommonwealthBank 

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of identification only
PRICEWATERHOUSECOOPERS
SYDNEY

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

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COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Directors of Colonial Mutual Superannuation Pty. Ltd. ("the Company") submit their report together with the general purpose Financial Statements for the year ended 30 June 2018 ("the Financial Statements").

Directors

The names of the Directors of the Company holding office during the year and up to the date of this report were:

E Eason (appointed 15 August 2017)
L Elkins
P Hodgett
P James
E Lewin
A Morgan (resigned 10 July 2017)
A Ward

Secretaries

The names of the Secretaries of the Company holding office during the year and up to the date of this report were:

A Barlow (appointed 9 November 2017)
B Watts

Principal activities

The Company's principal activity during the year was to act as Trustee for a number of superannuation funds and approved deposit funds ("ADFs").

There was no significant change in the nature of this activity during the year.

Review of operations and results

The Company's net profit after tax for the year ended 30 June 2018 was \$548k (2017: profit \$605k).

The key drivers of the Company's performance are a regular flow of Trustee fee income partially offset by management expenses. The excess capital held for regulatory purposes has been invested in a cash fund which is generating monthly distribution income. The Company's Balance Sheet reflects the financial strength of the business with total assets of \$10,967k (2017: \$12,389k) exceeding total liabilities by \$10,670k (2017: \$12,016k).

Dividends

Dividends of \$400k were paid during the year ended 30 June 2018 (2017: \$1,500k). The Company returned \$1,500k in excess capital to its parent entity during the year (2017: \$2,800k).

Significant changes in the state of affairs

On 21 September 2017, the Commonwealth Bank of Australia ("CBA") announced an agreement to sell its life insurance business, including the Company, to AIA Group Limited ("the Transaction"). The sale is expected to be completed by the end of the 2018 calendar year.

There have been no other significant changes in the state of affairs during the year.

Likely developments and expected results of operations

Information as to likely developments in the operations of the Company and the expected results of those operations in subsequent years have not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Company.

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

Likely developments and expected results of operations (continued)

As the Transaction has not been completed as at the date of this report, the Financial Statements do not reflect any of the potential changes to the Company's key judgements, estimates, assumptions or accounting policies which may arise under new ownership.

Environmental reporting

The Company's operations are not subject to any particular or significant environmental regulations under Australian Commonwealth, State or Territory law.

Indemnification and insurance of Directors and Officers

Indemnification

The Constitution of the Company provides for the Company to indemnify each Officer on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses ('Liabilities') incurred as an Officer of the Company. The Officers of the Company to whom the indemnity applies are any person who is, or has been, a Director, Secretary or Senior Manager of the Company. The indemnity is enforceable without the Officer having to first incur any expense or make any payment, is a continuing obligation and is enforceable by the Officer even though the Officer may have ceased to be an Officer of the Company. The indemnity also applies to Liabilities incurred by the Officer both before and after the adoption of the Constitution.

The Officers of the Company also have the benefit of an indemnity, in similar terms to the indemnity in the Constitution of the Company, under a deed poll executed by CBA.

Insurance

During the year, CBA, as the ultimate parent entity, has paid an insurance premium in respect of an insurance policy for the benefit of CBA and those named and referred to above including the Directors, Secretaries, Officers and certain employees of the Company and related bodies corporate as defined in the insurance policy. The insurance is appropriate pursuant to Section 199B of the *Corporations Act 2001*. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Events subsequent to the balance date

It is expected that the Royal Commission will have an impact on the industry in which the Company operates. The Company is in the process of reviewing its policies, procedures and controls. Since the end of the financial year, the Directors are not aware of any matter or circumstance that has occurred that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent years.

Rounding of amounts

The amounts contained in this report and in the Financial Statements have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under the Australian Securities and Investments Commission ("ASIC") Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

This report is made in accordance with a resolution of the Board of Directors.



Director

Sydney
26 September 2018



Auditor's Independence Declaration

As lead auditor for the audit of Colonial Mutual Superannuation Pty. Ltd. for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'CJ Cummins', with a small dot at the end.

CJ Cummins
Partner
PricewaterhouseCoopers

Sydney
26 September 2018

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

**AUDITOR'S INDEPENDENCE DECLARATION
30 JUNE 2018**

{The Auditor's independence declaration will be provided by your Auditor.}

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$'000	2017 \$'000
Income			
Interest income		10	10
Trustee fee income		1,332	1,384
Distribution income		258	319
Realised gain on available-for-sale financial assets		2	-
Total income		<u>1,602</u>	<u>1,713</u>
Expenses			
Management fees		819	844
Realised loss on available-for-sale financial assets		-	4
Total expenses		<u>819</u>	<u>848</u>
Profit before income tax expense		783	865
Income tax expense	2(a)	235	260
Profit after income tax expense		<u>548</u>	<u>605</u>
Unrealised gain on available-for-sale financial assets		6	9
Other comprehensive income, net of tax		<u>6</u>	<u>9</u>
Total comprehensive income		<u><u>554</u></u>	<u><u>614</u></u>

The above Statement of Comprehensive income should be read in conjunction with the accompanying notes.

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

**BALANCE SHEET
AS AT 30 JUNE 2018**

	Notes	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents		349	259
Trade and other receivables	3	135	155
Available-for-sale financial assets	5	10,476	11,966
Total current assets		10,960	12,380
Non-current assets			
Deferred tax assets	2(b)	7	9
Total non-current assets		7	9
Total assets		10,967	12,389
Liabilities			
Current liabilities			
Trade and other payables	4	62	114
Current tax liability		235	259
Total current liabilities		297	373
Total liabilities		297	373
Net assets		10,670	12,016
Equity			
Share capital	6(a)	10,517	12,017
Available-for-sale financial assets reserve	6(d)	(15)	(21)
Retained earnings		168	20
Total equity		10,670	12,016

The above Balance Sheet should be read in conjunction with the accompanying notes.

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Share capital \$'000	Available- for-sale financial assets reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2016	14,817	(30)	915	15,702
Profit after income tax expense	-	-	605	605
Other comprehensive income, net of tax	-	9	-	9
Total comprehensive income	-	9	605	614
Transactions with parent entity				
Dividends paid	-	-	(1,500)	(1,500)
Return of capital	(2,800)	-	-	(2,800)
Total transactions with parent entity	(2,800)	-	(1,500)	(4,300)
Balance at 30 June 2017	12,017	(21)	20	12,016

	Share capital \$'000	Available- for-sale financial assets reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2017	12,017	(21)	20	12,016
Profit after income tax expense	-	-	548	548
Other comprehensive income, net of tax	-	6	-	6
Total comprehensive income	-	6	548	554
Transactions with parent entity				
Dividends paid	-	-	(400)	(400)
Return of capital	(1,500)	-	-	(1,500)
Total transactions with parent entity	(1,500)	-	(400)	(1,900)
Balance at 30 June 2018	10,517	(15)	168	10,670

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

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Distributions from available-for-sale financial assets		254	329
Trustee fee income received		1,353	1,403
Interest income received		10	11
Management fees paid		(868)	(1,037)
Income tax paid		(259)	(305)
Net cash inflow from operating activities	11	490	401
Cash flows from investing activities			
Redemption - available-for-sale financial assets		1,500	2,800
Net cash inflow from investing activities		1,500	2,800
Cash flows from financing activities			
Capital reduction		(1,500)	(2,800)
Dividends paid		(400)	(1,500)
Net cash outflow from financing activities		(1,900)	(4,300)
Net increase/(decrease) in cash and cash equivalents		90	(1,099)
Cash and cash equivalents at the beginning of the year		259	1,358
Cash and cash equivalents at the end of the year		349	259

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

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General information

The Financial Statements of the Company were approved and authorised for issue by the Board of Directors on 26 September 2018. The Directors have the power to amend and reissue the Financial Statements.

The Company is incorporated and domiciled in Australia. It is a company limited by shares. The address of its registered office is Ground Floor Tower 1, 201 Sussex Street, Sydney, New South Wales, 2000, Australia.

The immediate parent entity is Commonwealth Insurance Holdings Limited, ABN 95 088 327 959 and the ultimate parent entity is CBA, ACN 123 123 124.

As a Trustee of registrable superannuation entities ("RSEs"), the Company holds an RSE licence (licence no. L0002769). The Company also holds an Australian Financial Services licence (licence no. 235025).

The Company is party to a service level agreement dated 21 August 2009 (as amended 1 January 2017) with The Colonial Mutual Life Assurance Society Limited ("CMLA"), ABN 12 004 021 809, a fellow CBA subsidiary, in relation to superannuation fund administration services.

The principal accounting policies applied in the preparation of the Financial Statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The Financial Statements cover the Company as an individual entity.

(b) Basis of preparation

The general purpose Financial Statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Company is a for-profit entity.

The Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The amounts contained in the Financial Statements have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under the ASIC Corporations (rounding in Financial/ Directors' Reports) Instrument 2016/191.

The functional and presentation currency of the Company is Australian Dollars.

The Financial Statements are prepared under the historical cost convention, except for available-for-sale ("AFS") financial assets which are measured at fair value.

Where necessary, comparative information has been restated to conform to changes in presentation in the current year. The reclassifications have no effect on previously reported consolidated total assets, total liabilities, comprehensive income or shareholders' equity.

The preparation of the Financial Statements requires the use of judgement, estimates and assumptions. Actual results may differ from these estimates. The valuation of the AFS financial asset has the greatest sensitivity to Management estimates and assumptions. This item is valued using unlisted unit prices calculated based on market value, multiplied by the number of units held.

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Future accounting developments

The Company has adopted AASB 9 '*Financial Instruments*' from 1 July 2018, introducing simplifications to hedge accounting and changes to the classification and measurement of financial assets. The standard introduces a new expected credit loss impairment model which is forward looking and does not require evidence of an actual loss event for impairment provisions to be recognised. Under the new standard the Company's AFS financial asset will be classified as fair value through the Statement of Comprehensive Income and the AFS financial assets reserve will move to retained earnings. The Company will retrospectively apply the new standard using the cumulative effect method and therefore comparative information will not be restated. Any other impacts on the Financial Statements will not be material.

The Company has adopted AASB 15 '*Revenue from Contracts with Customers*' from 1 July 2018, replacing the previous standard, AASB 118 '*Revenue*'. Under AASB 118 revenue is recognised upon the transfer of risks and rewards from the seller to the buyer. AASB 15 requires the transaction price to be allocated to separate performance obligations, and revenue is recognised when a performance obligation is satisfied. The Company has performed an assessment of its revenue arrangements under the new standard and has concluded that adoption of this standard will not have any effect on the Company's Financial Statements.

(d) Revenue and expense recognition

Revenue is measured at the fair value of consideration received or receivable.

(i) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(ii) Trustee fee income

Trustee fee income is for trustee services provided and is recognised on an accrual basis.

(iii) Distribution income

Distributions are recognised in the Statement of Comprehensive Income when the right to receive payment is established.

(iv) Management fees and expenses

Management fees and other expenses are paid to CBA and other suppliers for services provided to the Company. All expenses are recognised on an accrual basis.

(e) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted for changes in deferred tax assets and liabilities attributable to temporary differences.

Income tax is recognised in the Statement of Comprehensive Income as a component of profit after income tax expense, except to the extent that it relates to items recognised directly in equity, in which case it is recognised as other comprehensive income.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted at balance date, adjusted for any tax payable or refundable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax (continued)

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at balance date and which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Tax consolidation legislation allows Australian resident entities to elect to consolidate and be treated as a single entity for Australian tax purposes. CBA, as the head of the tax consolidated group, and its wholly-owned Australian subsidiaries (including the Company), elected to be taxed as a single entity under this regime with effect from 1 July 2002.

The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations of members of the tax consolidated group in respect of tax amounts.

The measurement and disclosure of deferred tax assets and liabilities have been performed in accordance with the principles in AASB 112 *Income Taxes*, and on a modified standalone basis under UIG 1052 *Tax Consolidation Accounting*.

(f) Goods and Services Tax ("GST")

Revenues and expenses are recognised net of GST, unless the GST incurred on expenses is not recoverable from the taxation authority, in which case it is recognised as part of the expense.

Receivables and payables are stated inclusive of GST.

Cash flows are presented on a net basis. The GST components of cash flows which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank which earns floating rate interest.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Provisions for impairment

The Company assesses at each balance date whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on trade and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows, discounted at the financial asset's original effective interest rate. Short-term balances are not discounted. Trade and other receivables are presented net of provisions for impairment, if any. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect debts. Bad debts are written off when identified.

(i) AFS financial assets

AFS financial assets are financial assets that are not classified as fair value through the Statement of Comprehensive Income. Subsequent to initial recognition, AFS financial assets are measured at fair value with unrealised gains and losses arising from changes in fair value recognised in an AFS financial assets reserve within equity, net of income taxes, until such financial assets are sold, collected, or otherwise disposed of, or become impaired.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) AFS financial assets reserve

The AFS financial assets reserve includes changes in the fair value of AFS financial assets. These changes are transferred to profit or loss when the asset is derecognised or impaired.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value, and then subsequently recognised at amortised cost.

(l) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction, net of tax, of the share proceeds received.

2 INCOME TAX

(a) Reconciliation of income tax expense to prima facie tax payable

	2018	2017
	\$'000	\$'000
Profit before income tax expense	783	865
Prima facie tax at 30% (2017: 30%)	235	260
Income tax expense	235	260

(b) Deferred tax assets

	2018	2017
	\$'000	\$'000
Available-for-sale financial assets	7	9
Total deferred tax assets	7	9

3 TRADE AND OTHER RECEIVABLES

	2018	2017
	\$'000	\$'000
Distribution income receivable	42	38
Trustee fee income receivable	92	116
Accrued interest receivable	1	1
Total trade and other receivables	135	155

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

4 TRADE AND OTHER PAYABLES

	2018	2017
	\$'000	\$'000
GST payable	8	11
Management expenses payable	54	103
Total trade and other payables	62	114

5 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Reconciliation of movements during the year:

	2018	2017
	\$'000	\$'000
Opening balance	11,966	14,757
Unrealised gains	8	13
Realised gains/(losses)	2	(4)
Redemptions	(1,500)	(2,800)
Closing balance	10,476	11,966

AFS financial assets are held in the Colonial First State First Choice Cash Fund ("the CFS cash fund"), and have been invested for the purposes of meeting the Company's Operational Risk Financial Requirement ("ORFR"). Withdrawals from the CFS cash fund are processed within two business days. The responsible entity and administrator of the CFS cash fund, Colonial First State Investments Limited ("CFSIL") is a fellow CBA subsidiary.

6 EQUITY

(a) Ordinary shares

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amount paid up on shares held. Ordinary shares carry one vote per share.

Movement during the year:

	2018	2017	2018	2017
Details	Number of shares	Number of shares	\$'000	\$'000
Opening balance	12,016,673	15,099,792	12,017	14,817
Capital return	(1,500,000)	(3,083,119)	(1,500)	(2,800)
Closing balance	10,516,673	12,016,673	10,517	12,017

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

6 EQUITY (continued)

(b) Capital management

The Company's objective when managing its capital is to safeguard its ability to continue as a going concern and to maintain an efficient capital structure. Capital levels are regulated by external monitoring authorities (ASIC and Australian Prudential Regulation Authority ("APRA")) in accordance with the requirements of its Australian Financial Services Licence. CBA and the Company monitor capital levels in accordance with minimum regulatory requirements as well as what is deemed to be an efficient level of capital for the Company.

In order to maintain or adjust the capital requirements, the Company may adjust the amount of dividend paid to its shareholders, return capital or issue new shares.

The Company's capital comprises ordinary share capital, retained earnings and an AFS reserve, and is predominantly invested in AFS financial assets. Capital is retained to cover any losses that may result from operational failures (internal or external) that will affect the superannuation entities for which it is the Trustee. The ORFR strategy and target ORFR balance is approved by the Board.

(c) Dividends

	2018 \$'000	2017 \$'000
Dividends paid on ordinary shares	400	1,500
Cents per share	3.80	9.93

(d) AFS financial assets reserve

	2018 \$'000	2017 \$'000
Opening balance	(21)	(30)
Unrealised gains	8	14
Deferred tax expense on unrealised gains	(2)	(5)
Closing balance	(15)	(21)

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

7 KEY MANAGEMENT PERSONNEL ("KMP")

(a) Directors

The Directors of the Company have been determined to be KMP in accordance with AASB124 *Related Party Disclosures*.

The names of persons who were Directors of the Company at any time during the year were:

E Eason (appointed 15 August 2017)
L Elkins
P Hodgett
P James
E Lewin
A Morgan (resigned 10 July 2017)
A Ward

(b) Compensation of KMP

The fees paid to the independent non-executive Directors by CBA on behalf of the Company were:

	2018	2017
	\$'000	\$'000
Short-term employee benefits	248	250
Post-employment benefits	18	18
Total remuneration	266	267

One non-executive Director, all executive Directors and other KMP are CBA employees. The Company receives management services from CBA, which includes the provision of services from these KMP. The Company does not remunerate KMP or directly reimburse CBA for this cost, rather an overall management fee is paid to CBA. It is also the practice of CBA that its employees are not remunerated for director appointments which are considered incidental to their primary role.

KMP do not hold any shares, options or other interests in the Company.

(c) Transactions with KMP and their related entities

No loans were provided to KMP by the Company.

Any loans to, and other transactions with, KMP or their related parties are made by CBA in the ordinary course of business on normal terms and conditions no more favourable than those given to employees of CBA.

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

Transactions that have occurred with related parties are conducted on terms and conditions no more favourable than those available to external parties.

The following Company transactions have been conducted with related parties:

- The Company provides trustee services to members of superannuation funds and ADFs, in accordance with the terms of the Trust Deed of each fund. The Company receives trustee fees from CMLA, the Commonwealth Bank Approved Deposit Fund and The State Bank Supersafe Approved Deposit Fund with respect to these services.
- The Company pays management fees to CBA in relation to the provision of administrative and other services on the basis of an equitable allocation of direct and overhead expenses.
- The Company uses standard CBA banking arrangements.
- The Company is in a consolidated tax group with CBA as the head entity.
- The Company has invested in a CFS cash fund.

	2018	2017
	\$	\$
Related party receipts and payments during the year		
Interest income earned from CBA	9,352	10,258
Trustee fee income earned from CMLA and ADFs	1,332,269	1,384,221
Distribution income earned from CFS cash fund	258,165	318,355
CBA Management fees incurred	818,329	843,740
Intra-group tax expense	235,020	259,410
Related party balances at year end		
Bank account with CBA	348,799	259,295
Available-for-sale financial assets in CFS cash fund	10,475,873	11,965,863
Interest receivable from CBA	807	467
Distribution receivable from CFS cash fund	42,908	38,268
Trustee fee income receivable from CMLA and ADF's	92,161	116,205
Tax payable to CBA	235,019	259,410
Management fees payable to CBA	53,801	103,071

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

9 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including market risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the potential of loss arising from adverse changes in market variables. The Company is exposed to interest rate risk on its bank account and CFS cash fund investment.

Interest rate risk

Interest rate risk is the risk to the Company's earnings arising from movements in interest rates. The Company is exposed to interest rate risk on its floating rate bank account and CFS cash fund investment.

At 30 June 2018, a 50 basis point movement in interest rates will have a \$40k impact on annual profit after income tax and equity (2017: \$43k) with all other variables held constant.

(b) Credit risk

Credit risk is the potential of loss arising from failure of a debtor or counterparty to meet its contractual obligations. The Company's maximum exposure to credit risk is the carrying value of each financial asset as indicated in the Balance Sheet.

Concentration of credit risk

The Company's largest concentration of credit risk is the CFS cash fund which does not have an external credit rating. It is also exposed to CBA with respect to its cash at bank, accrued interest and receivables (refer Note 8). CBA has a Standard and Poor's credit rating of AA- (2017: AA-).

The Company has no financial assets that are past due or impaired at balance date (2017: nil).

(c) Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations as they fall due.

Trade payables are unsecured and are generally paid within 30 days of recognition. The Company has no debt obligations with a contractual maturity.

(d) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. AFS financial assets are carried at fair value. The carrying values of the Company's other financial assets and liabilities are assumed to approximate their fair value due to their short-term nature.

The Company uses various methods in estimating fair value. The methods used can be categorised according to a fair value hierarchy as follows:

Level 1: Fair value is determined by reference to quoted prices in an active market.

Level 2: Fair value is estimated using inputs (other than quoted prices in an active market) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value is estimated using inputs that are not based on observable market data.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

9 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value measurement (continued)

The following table presents the Company's financial assets and liabilities measured and recognised at fair value, categorised according to the fair value hierarchy.

	Carrying value	Fair value		Total
	\$'000	Level 1 \$'000	Level 2 \$'000	
At 30 June 2018				
Financial assets				
Cash and cash equivalents	349	349	-	349
Trade and other receivables	135	-	135	135
Available-for-sale financial assets	10,476	-	10,476	10,476
Total financial assets	10,960	349	10,611	10,960
Financial liabilities				
Trade and other payables	62	-	62	62
Total financial liabilities	62	-	62	62
At 30 June 2017				
Financial assets				
Cash and cash equivalents	259	259	-	259
Trade and other receivables	155	-	155	155
Available-for-sale financial assets	11,966	-	11,966	11,966
Total financial assets	12,380	259	12,121	12,380
Financial liabilities				
Trade and other payables	114	-	114	114
Total financial liabilities	114	-	114	114

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

10 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

The Company acts as Trustee for ADFs. The ADFs' investments are in cash funds and CBA bank accounts. The Company has no exposure to the ADFs' investments.

	2018 \$'000 CFS cash fund	2018 \$'000 ADFs	2017 \$'000 CFS cash fund	2017 \$'000 ADFs
Exposure to structured entities				
Trustee fee income receivable	-	92	-	116
Distribution income receivable	42	-	38	-
AFS financial assets	10,476	-	11,966	-
Total balance sheet exposure	10,518	92	12,004	116
Total maximum exposure to loss	10,518	92	12,004	116
Funds under administration	5,964,219	19,246	5,665,879	22,841

11 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2018 \$'000	2017 \$'000
Profit after income tax expense	548	605
Adjustment for:		
Realised (gain)/loss on available-for-sale financial assets	(2)	4
Change in operating assets and liabilities:		
Decrease in trade and other receivables	20	33
Decrease in trade and other payables	(52)	(195)
Decrease in current tax liabilities	(24)	(46)
Net cash inflow from operating activities	490	401

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

12 AUDITOR'S REMUNERATION

The auditor is remunerated by CBA and no allocation of the audit fee is made to the Company on the basis that the fee is not agreed at a legal entity level.

The auditor did not perform any non-audit services for the Company in the current or prior year.

13 CONTINGENT LIABILITIES AND COMMITMENTS

In the event of any claim arising against the Company in its capacity as Trustee of the superannuation funds and ADFs, subject to the restrictions in the *Superannuation (Industry) Supervision Act 1993*, the Trustee has rights of indemnity from the relevant funds to the extent not otherwise recoverable from service providers for the administration of the funds.

There were no contingent liabilities or commitments as at 30 June 2018 (2017: nil).

14 EVENTS SUBSEQUENT TO THE REPORTING PERIOD

It is expected that the Royal Commission will have an impact on the industry in which the Company operates. The Company is in the process of reviewing its policies, procedures and controls. Since the end of the financial year, the Directors are not aware of any matter or circumstance that has occurred that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent years.

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**DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2018**

In accordance with a resolution of the Directors of Colonial Mutual Superannuation Pty. Ltd. ("the Company"), the Directors declare that:

- (a) the Financial Statements are in compliance with the *Corporations Act 2001*, including:
 - (i) s 296, which requires the financial report, including the Financial Statements and the Notes to the Financial Statements, to comply with the accounting standards and any further requirements in the *Corporations Regulations 2001*; and
 - (ii) s 297, which requires the Financial Statements, and the Notes to the Financial Statements, to give a true and fair view of the financial position and performance of the Company; and
- (b) in compliance with the accounting standards, the Notes to the Financial Statements include an explicit and unreserved statement of compliance with the International Financial Reporting Standards (see Note 1(b)); and
- (c) in the opinion of the Directors, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Director

Sydney
26 September 2018



Independent auditor's report

To the members of Colonial Mutual Superannuation Pty. Ltd.

Our opinion

In our opinion:

The accompanying financial report of Colonial Mutual Superannuation Pty. Ltd. (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Financial Report for the year ended 30 June 2018, including the Directors' Report, but does not include the financial report and our auditor's report thereon.

PricewaterhouseCoopers, ABN 52 780 433 757

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'CJ Cummins', written in a cursive style.

CJ Cummins
Partner

Sydney
26 September 2018

COLONIAL MUTUAL SUPERANNUATION PTY. LTD.

**INDEPENDENT AUDITOR'S REPORT
30 JUNE 2018**

{The Auditor's report will be provided by your Auditor.}