

Super SA Select Fund

Financial report
for the year ended
30 June 2020



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To the Presiding Member Southern Select Super Corporation

Opinion

I have audited the financial report of the Super SA Select Fund for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Super SA Select Fund as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2020
- an Income Statement for the year ended 30 June 2020
- a Statement of Changes in Member Benefits for the year ended 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member of the Southern Select Super Corporation, the Chief Executive, State Superannuation Office and the Director, Finance and Business Transformation, State Superannuation Office.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Super SA Select Fund. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

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

Responsibilities of the Chief Executive, State Superannuation Office and members of the Southern Select Super Corporation for the financial report

The Chief Executive, State Superannuation Office is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The members of the Southern Select Super Corporation are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 32(4) of the *Public Corporations Act 1993*, I have audited the financial report of Super SA Select Fund for the financial year ended 30 June 2020.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

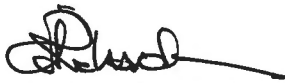
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Super SA Select Fund's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive, State Superannuation Office
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the Chief Executive, State Superannuation Office and the Presiding Member of the Southern Select Super Corporation about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

23 September 2020

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Statement of Financial Position
as at 30 June 2020

	Note	2020 \$000	2019 \$000
Assets			
Cash and cash equivalents	15	168	181
Receivables	4	2	83
Contributions receivable	7	12	17
Investments	5, 6	10 775	9 393
Total assets		10 957	9 674
Liabilities			
Benefits payable		-	141
Payables	8	207	254
Current tax liabilities	11(b)	131	163
Deferred tax liabilities	11(c)	3	74
Loan payable	5, 9	559	556
Total liabilities excluding member benefits		900	1 188
Net assets available for member benefits		10 057	8 486
Member benefits	3	10 521	8 880
Net Assets		(464)	(394)
Equity			
Investment allocation (over)		(464)	(394)
Total equity		(464)	(394)

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

Income Statement
for the year ended 30 June 2020

	Note	2020 \$000	2019 \$000
Changes in investments measured at fair value		(151)	693
Interest		2	6
Total revenue		(149)	699
Investment expenses	12	(54)	(46)
Administration expenses	13	(14)	(17)
Interest expense		(3)	(8)
Total expenses		(71)	(71)
Result from operating activities		(220)	628
Net benefits allocated to members accounts		113	(666)
Operating result before income tax		(107)	(38)
Income tax benefit/(expense)	11(a)	37	(40)
Net operating result		(70)	(78)

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

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Statement of Changes in Member Benefits for the year ended 30 June 2020

	2020	2019
	\$000	\$000
Opening Balance as at 1 July	8 880	5 963
Employers contributions	486	484
Member contributions	168	356
Rollovers from other schemes	2 167	2 069
Government co-contributions	9	9
Contributions tax	(373)	(392)
Net contributions	2 457	2 526
Benefits to members	(696)	(264)
Insurance premiums charged to members	(7)	(11)
Net benefits allocated to members, comprising:		
Net investment income	(104)	674
Administration fees	(9)	(8)
Closing Balance as at 30 June	10 521	8 880

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

Statement of Changes in Equity for the year ended 30 June 2020

	2020	2019
	\$000	\$000
(Over) allocated benefits opening balance 1 July	(394)	(316)
Net operating result	(70)	(78)
(Over) allocated benefits closing balance 30 June	(464)	(394)

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

Statement of Cash Flows for the year ended 30 June 2020

	Note	2020	2019
		\$000	\$000
Bank interest		2	6
GST recoup		1	-
Administration expenses paid		(14)	(18)
Income taxes paid		(65)	(44)
Insurance premiums paid		(7)	(13)
Net cash flows from operating activities	15	(83)	(69)
Receipts from the sale of investments from Funds SA		1 720	920
Payments to Funds SA for the purchase of investments		(3 306)	(3 367)
Net cash flows from investing activities		(1 586)	(2 447)
Employer contributions		488	469
Member contributions		156	366
Government co-contributions		9	9
Transfers from other superannuation entities		2 213	2 050
Benefit payments to members		(837)	(123)
Contribution tax paid		(373)	(424)
Net cash flows from finance activities		1 656	2 347
Net change in cash		(13)	(169)
Cash at beginning of the financial period		181	350
Cash at end of the financial period		168	181

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

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Notes to the Financial Statements

1. Objectives and funding

(a) *Super SA Select*

In 2012, the Commonwealth passed the Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures) Act 2012, which introduced a new superannuation benefit for low income earners. This measure provides a superannuation benefit for low income earners of up to \$500 annually for individuals on adjusted taxable incomes of up to \$37 000.

The low income tax benefit is only available to members of taxed superannuation funds. The Southern State Superannuation Scheme (The Triple S Scheme), regulated by the Southern State Superannuation Act 2009, is not a taxed superannuation fund and therefore members of the Triple S Scheme are not eligible for the low income tax benefit.

Under the Super SA Select Deed (the Deed) the Minister for Finance established Super SA Select (the Fund), a taxed accumulation superannuation fund.

The Fund is an indefinitely continuing superannuation fund that is maintained for the purpose of providing retirement and other benefits to members.

The Fund consists of all cash, investments, earnings and other property held from time to time by or on account of the Trustee upon the trusts of this Deed.

The Trustee may determine that beneficial interests in the Fund will be represented by units and that earnings of the Fund will be allocated by way of movements in the value of the units.

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 9.50 per cent (2019: 9.50) of salary where the member has elected to contribute less than 4.5 per cent of salary. Where the member has elected to contribute 4.5 per cent or more of salary, the employer must contribute at a rate of 10 per cent.

The Fund is an exempt public sector superannuation entity and operates on a not for profit basis.

(b) *Southern Select Super Corporation*

The Southern Select Super Corporation (the Trustee) was established on 1 December 2012 as a subsidiary of the Minister for Finance (now the Treasurer), pursuant to the Public Corporations (Southern Select Super Corporation) Regulations 2012 (the Regulations), and was established under section 24 of the Public Corporations Act 1993 to act as Trustee of the Fund.

The Trustee has complete management and control of all proceedings and matters in connection with the Fund and may do all that it considers necessary, desirable or expedient for the proper administration, maintenance and preservation of the Fund and in the exercise of the powers and the performance of the duties of the Trustee.

In accordance with regulation 14 of the Regulations, the Trustee is responsible for the investment and management of the Fund. The Trustee must prepare an investment policy statement for the purposes of the Fund and must, in connection with the statement, set the risk and return objectives and asset allocation policies to be adopted with respect to the management and investment of the Fund.

In setting the risk and return objectives and asset allocation policies to be adopted, the Trustee must consult with the Superannuation Funds Management Corporation of South Australia (Funds SA).

(c) *Superannuation Funds Management Corporation of South Australia*

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA.

(d) *Funding arrangements*

The Trustee receives payments from, or on behalf of, members of the Fund and maintains accounts for each member in accordance with the Deed. All amounts received from, or on behalf of, members of the Fund are to be paid into a fund maintained by the Trustee. Payments are to be made from the Fund as required under the Deed or rules of the Fund or under an Act of the State or the Commonwealth.

(e) *Benefit entitlements*

Benefit entitlements are specified by the Regulations, the Deed and the Super SA Select Business Rules.

2. Significant accounting policies

(a) *Basis of accounting*

This financial report is a general purpose financial report. The financial statements have been prepared in accordance with relevant Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*, except as provided below.

This financial report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

This financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$000).

The Fund is a not for profit entity for the purpose of preparing financial statements.

(b) *Impact of standards and statements not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. The assessment of the impact of these new standards and interpretations is set out below.

The Trustee has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations on behalf of the Fund. There are no Accounting Policy Statements that are not yet effective. The material impacts on the Fund are outlined below.

AASB 16 - Leases

AASB 16 is first applicable for the year ending 30 June 2020. Assets and liabilities are to be reported on the statement of financial position for all leases with a term of more than 12 months, even if they were previously classified as an operating lease.

AASB 1059 – Service Concession Arrangement: Grantors

The objective of AASB 1059 is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity. The standard applies to reporting periods beginning on or after 1 January 2020.

The Fund has no operating leases and is not a service concession grantor. The Trustee has assessed the impact of the new standards on the Fund, and has determined there will be no impact on the Fund's financial statements.

(c) *Financial assets and liabilities*

(a) *Classification*

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

Financial assets and liabilities held for trading

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by the Fund, if any, do not meet the hedge accounting criteria as defined by AASB 9. Consequently hedge accounting is not applied by the Fund.

Financial instruments designated at fair value through profit or loss upon initial recognition

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

(b) *Recognition*

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Fund commits to purchase or sell the asset.

(c) *Initial Recognition*

Financial assets and financial liabilities at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in the income statement.

Receivables and liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the income statement, unless specified otherwise.

(d) *Subsequent measurement*

After initial measurement, the Fund measures investments at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement. Interest earned is recorded in 'Interest revenue'.

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(e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to financial statement note 5.

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above.

(g) Receivables and payables

Receivables are carried at nominal amounts due that approximate fair value. Receivables are normally settled within 30 days. Payables are carried at nominal amounts that approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid when the Fund becomes obliged to make future payments in respect of the purchase of these goods or services.

(h) Benefits payable

Benefits payable are valued at fair value and relate to members who are eligible to receive payment and provided the Fund with appropriate notification on or prior to 30 June 2020 but paid after 30 June 2020.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in fair values

Changes in the fair value of investments invested with Funds SA are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

Interest

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and recognised in the income statement.

(j) Taxation

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* and accordingly the concessional tax rate of 15 per cent has been applied.

The Fund commenced on 1 December 2012 and is subject to a concessional tax treatment at the rate of 15 per cent.

Current tax

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

Deferred tax

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

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

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

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

(k) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the ATO are classified as operating cash flows.

(l) Foreign currency

The functional and presentation currency of the Fund is Australian dollars, which is the Fund's primary currency. The Fund's performance is evaluated and its liquidity managed in Australian dollars. Therefore, the Australian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(m) Investments

Funds SA provides investments measured at fair value. Below is the basis for valuation of these investments.

(i) Inflation Linked Securities B

The Inflation Linked Securities B portfolio invests in discretely managed portfolios and internal inflation linked securities. Discretely managed portfolios are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

Internally managed inflation linked securities, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

(ii) Property B

The Property B portfolio comprises two sub sectors:

Listed Property Trusts

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

Unlisted property vehicles

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

(iii) Australian Equities B

The Australian Equities B portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) International Equities B

The International Equities B portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid rates applicable at balance date where applicable.

(v) Short Term and Long Term Fixed Interest

The Short Term and Long Term Fixed Interest portfolios have exposure to domestic and global debt instruments and is managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

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(vi) Diversified Strategies Growth B

The Diversified Strategies Growth B portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(vii) Diversified Strategies Income

The Diversified Strategies Income portfolio comprises investments in discretely managed investments and Australian and international pooled funds, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

(viii) Cash

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(n) Operation of investment portfolio

Funds SA is responsible for the investment and management of the Fund's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ending 30 June 2020, Funds SA managed two separate investment options for the Fund which were available to members, distinguished by differing strategic asset allocations:

- Balanced
- Cash

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

(o) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been presented to be consistent with current period disclosures.

Fair value of investments

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model. The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of these investments.

3. Member benefit liabilities

Members are defined contribution members and bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Member account balances are determined by unit prices that are determined based on the underlying investment movements. Unit prices are updated daily. Refer to Note 16 for the Fund's management of the investment risks.

	2020	2019
	\$000	\$000
Member benefits	10 521	8 880
As compared to net assets available to pay benefits	10 057	8 486

4. Receivables

	2020	2019
	\$000	\$000
Refund from ATO for GST	2	1
Transfer rollover from another Scheme	-	82
	2	83

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5. Fair value of financial instruments

Classification of financial Instruments under the fair value hierarchy

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Valuations are the responsibility of the Trustee. The valuation of investments is performed daily and are subject to quality assurance procedures.

After the checks above have been performed the Trustee considers the valuation results, including assumptions used in the valuations.

The Trustee also considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen.

Valuation technique

The Fund's investments are not quoted in an active market. To ensure fair value can be determined, the Fund's investment manager, Funds SA, applies due diligence and considers valuation techniques and inputs used in valuing the funds, prior to investing. In measuring fair value, consideration is given to the amounts for which financial assets can be sold, excluding transaction costs. The Fund classifies these funds as Level 2.

There were no changes in valuation techniques during the year.

	2020	2019
	\$000	\$000
Classification of investments under the fair value hierarchy - Level 2		
Level 1 and level 3 are not relevant to the Fund		
Unlisted managed investment schemes	10 775	9 393
Funds SA	10 775	9 393
	2020	2019
	\$000	\$000
Classification of loans under the fair value hierarchy - Level 2		
Level 1 and level 3 are not relevant to the Fund		
Loan from South Australian Superannuation Board	559	556
	559	556

6. Value and movement of investments by investment option

	2020	Movement	2019
	\$000	\$000	\$000
Balanced	10 289	1 329	8 960
Cash	486	53	433
Investments at 30 June	10 775	1 382	9 393

7. Contributions receivable

	2020	2019
	\$000	\$000
Member contributions receivable	1	2
Employer contributions receivable	11	15
	12	17

8. Payables

	2020	2019
	\$000	\$000
Audit fees	9	9
Transfer rollover to another Scheme	198	245
	207	254

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9. Loan from South Australian Superannuation Board

At the 8 June 2012 Board meeting, the South Australian Superannuation Board (the Board) agreed to provide funding of \$500,000 from its Capital and Development Reserve account for the purpose of establishing the Fund.

The terms of the loan are set out in Schedule 2 of the Regulations and the tri partite Funding Deed between the Board, the Minister for Finance (now Treasurer) and the Trustee. The Funding Deed was executed on 28 June 2013 with a drawdown date of 5 July 2013.

The repayment of the loan by the Trustee from the Fund, together with interest, will be in accordance with Schedule 2 of the Regulations. If at the end of the financial year the Fund has a net surplus, the interest payable for that year must be paid on or before 31 July of the following financial year. If the Fund does not have a net surplus at the end of the financial year, the interest payable for that year will be capitalised into the principal amount owing. At the end of 2018-19 the Fund did not have a net surplus, therefore the amount of interest capitalised into the principal amount for 2019-20 was \$3 000 (2019: \$8 000).

	2020	2019
	\$000	\$000
Loan payable opening balance	556	548
Interest	3	8
Loan payable closing balance	559	556

Principal repayments are required when administration fees charged to members for the financial year exceed the cost of the administration of the Fund (other than investment management charges). For 2019-20 there was no principal repayment required.

10. Allocated to members' accounts

The value of funds which have been formally allocated to investor accounts equals the member benefits as per Note 3. The formal allocation of earnings to investors' accounts has been determined for the 2019-20 financial year.

11. Income tax

	2020	2019
	\$000	\$000
Major components of income tax benefit/(expense)		
(a) Current income tax benefit/(expense)		
Current tax charge	(33)	(10)
Adjustment to current tax for prior periods	-	(16)
Deferred income tax	-	13
Relating to the originating and reversal of temporary differences	70	(27)
Income tax benefit/(expense)	37	(40)
Reconciliation between income tax expenses and the accounting profit before income tax		
Net operating result before tax	(107)	(38)
Tax applicable at the rate of 15% (2019: 15%)	16	6
Tax effect of income /(losses) that are not assessable/or deductible in determining taxable income:		
Investment revenue	(24)	19
Tax effect of other adjustments:		
Imputation and foreign tax credits	27	36
Net benefit allocated to members under provision prior period	18	(98)
	-	(3)
Income tax benefit/(expense)	37	(40)
(b) Current tax liabilities		
Current years income tax provision	131	163
Current tax liabilities	131	163
(c) Deferred tax liabilities		
The amount of deferred tax liability recognised in the Statement of Financial Position at reporting date comprises:		
Accrued expenses	(1)	(1)
Unrealised capital losses carried forward	4	75
Deferred tax liabilities	3	74

The Fund offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets.

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12. Investment expenses

	2020	2019
	\$000	\$000
Investment expenses	54	46
	<u>54</u>	<u>46</u>

Investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Fund based on the Fund's investment.

13. Administration expenses

	2020	2019
	\$000	\$000
Administration expenses ⁽ⁱ⁾	14	17
	<u>14</u>	<u>17</u>

(i) Administration expenses incurred by the Trustee in administering the Fund are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Trustee quarterly. The charges are based on actual costs of administering the Fund.

Section 7 of the Deed provides for an administrative charge to be debited each year to the Members' account. The purpose of this charge is to provide for existing and future costs of administering the Fund. The amount of the charge is determined by the Trustee. For the year ended 30 June 2020, the charge was \$1.35 per week per member for all members, active and non-active. In addition, from 1 January 2020 an asset based fee of 0.05 per cent of members' account balances was introduced, the fee is charged monthly and capped at \$325 per annum. However, the charge for a member with an aggregate balance of \$1 000 or less, is the lesser of the charges applicable to members, or the amount of investment earnings credited to the member's account with a minimum of \$10. These charges are included on member annual statements.

Administration expenses include Auditor's remuneration - refer note 14.

14. Auditors' remuneration

	2020	2019
	\$000	\$000
Audit fees paid or payable	9	9
	<u>9</u>	<u>9</u>

Audit fees paid or payable to the Auditor-General's Department relating to work performed under the PFAA were \$9 000 GST exclusive (2019: \$8 800). No other services were provided by the Auditor-General's Department.

15. Reconciliation of cash and cash equivalents

	2020	2019
	\$000	\$000
Cash and cash equivalents	168	181
Reconciliation of operating result to net cash from operating activities		
Net operating result	(70)	(78)
Adjustments for:		
Change in investments measured at fair value	151	(693)
Investment expenses	54	46
Increase in receivables	1	-
(Decrease) in payables	(106)	(10)
Allocation to members' accounts	(113)	666
Net cash outflows from operating activities	<u>(83)</u>	<u>(69)</u>

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16. Financial risk management objectives and policies

The Fund's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

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

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Fund's investment risk management framework.

The Fund's investment risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund'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 Fund's activities.

The Trustee receives regular reports from Funds SA concerning compliance with the Fund's investment objectives.

(a) 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 Fund'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 of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

The Fund's currency risk is managed by Funds SA as investments include assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the international equities asset class are 40 per cent hedged to Australian dollars. In addition, up to 25 per cent of the international equities asset class may be hedged by the equities managers.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

(ii) Interest rate risk

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

The Fund's interest rate risk is managed by Funds SA, as investments include fixed interest securities.

Funds SA manages interest rate risk through:

- Ensuring asset allocations of different investment products are consistent with the time horizon of each.
- The use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.
- The Fund's receivables and payables are non-interest bearing. The carrying amounts of these assets approximate to fair value.

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

The Fund's other market price risk is managed by Funds SA, as investments include financial instruments exposed to market prices.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment options are consistent with the time horizon of each.

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(iv) Investments sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment option. The following tables show the standard deviation around expected nominal returns for each investment option.

The statistics shown below are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have a 15 per cent tax rate applied and includes franking credits.

	Average	Market	Average	Potential
	Return	Risk	Funds Under	impact of
Investment Option	%	%	Management	market risk
			\$000	(+/-)
				on Income
				Statement
				\$000
2020				
Balanced B	6.5	10.2	9 625	982
Cash B	2.8	1.0	459	5

	Average	Market	Average	Potential
	Return	Risk	Funds Under	impact of
Investment Option	%	%	Management	market risk
			\$000	(+/-)
				on Income
				Statement
				\$000
2019				
Balanced B	6.2	8.4	7 448	626
Cash B	2.3	1.0	398	4

Market risk is a useful historical measure of the variability of returns earned by an investment portfolio. The market risk shown above represents the range at which actual future returns are expected to occur either side of the nominal return approximately two thirds of the time.

The dollar value of the potential impact on the Income Statement arising from the market risk is indicative only. The impacts are not additive across investment asset classes, as each asset class operates in different markets and is subject to different conditions.

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.

(b) **Credit risk**

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

The fair value of financial assets, included in the Statement of Financial Position represents the Fund's maximum exposure to credit risk in relation to those assets. Funds SA is the Fund's only significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Fund does not have any assets which are past due or impaired and there is no concentration of credit risk.

(c) **Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund'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 Fund's reputation.

For the Fund's investments, Funds SA manages liquidity risk as follows:

- By giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- A large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

For the Fund itself, the liquidity position is monitored on a daily basis. The Fund's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

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

	Less than 3	Greater than 5	Total	Carrying
	Months	years	Contractual	Amount
	\$000	\$000	Cash Flows	Liabilities
			\$000	\$000
2020				
Loan	-	559	559	559
Payables ⁽ⁱ⁾	198	-	198	198
Vested benefits ⁽ⁱⁱ⁾	10 521	-	10 521	10 521
	10 719	559	11 278	11 278
	Less than 3	Greater than 5	Total	Carrying
	Months	years	Contractual	Amount
	\$000	\$000	Cash Flows	Liabilities
			\$000	\$000
2019				
Benefits Payable	141	-	141	141
Loan	-	556	556	556
Payables ⁽ⁱ⁾	245	-	245	245
Vested benefits ⁽ⁱⁱ⁾	8 880	-	8 880	8 880
	9 266	556	9 822	9 822

(i) Payable amounts disclosed here exclude amounts relating to statutory payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees).

(ii) Vested benefits have been included in the "Less than 3 months" column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Fund can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) Derivative financial instruments

Derivatives can be defined as financial contracts whose value depends on, or is derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

17. Coronavirus (COVID-19) impact

Background

COVID-19, which is a respiratory illness caused by a new virus, was declared a world wide pandemic by the World Health Organisation in March 2020. COVID-19 has had a significant impact on the domestic and global economy and equity, debt and commodity markets.

Super SA has considered the impact of COVID-19 and provided advice to the Trustee in preparing its financial statements. Given the dynamic and evolving nature of COVID-19 as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Fund's assets and liabilities may arise in the future. Any such impacts will be accounted for in future accounting periods.

COVID-19 Early Release of Superannuation Scheme

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. This scheme allowed eligible members to access up to \$10 000 of their superannuation in both financial years 2019-20 and 2020-21.

For the year ended 30 June 2020 the Fund only paid one member benefits under the ERS. Super SA does not expect any further benefits to be paid to members over the financial year ended 30 June 2021 under the ERS.

Processes applied

In preparing these financial statements the Trustee considered the impact of COVID-19 in the:

- evaluation of any areas of judgment or estimation uncertainty in addition to those disclosed above;
- adoption of significant assumptions and market inputs used in:
 - valuing the Fund's investment (in particular, unlisted investments); and
 - preparing disclosures for the fair value of financial assets and liabilities and financial risk management;
- review of external market communications to identify other COVID-19 related impacts;
- review of public forecasts and experience from previous economic downturns;
- assessment of the fair value of the Fund's assets and liabilities;
- stress testing scenarios, which are an integral component of the Trustee's risk management framework, to assess the potential impacts of the COVID-19 pandemic on the Fund's portfolio valuation and liquidity; and
- determination of the completeness and appropriateness of financial statement disclosures.

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Consideration of the Statement of Financial Position and further disclosures

Key items within the Statement of Financial Position and related disclosures impacted by COVID-19 are as follows:

Financial instruments at fair value through profit and loss

Given recent market volatility, Funds SA as the Fund's investment manager reviewed the appropriateness of inputs to its valuation of financial instruments as well as performing out of cycle valuations. The impact of changes in valuation inputs has also been considered in terms of the classification of financial instruments in the fair value hierarchy, transfers within the fair value hierarchy and the sensitivity analysis. The Fund's investments include a portfolio of unlisted equity investments which, in accordance with the Fund's accounting policies, are measured at fair value. The determination of investments carrying value included a consideration of the impact of COVID-19.

Risk management

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

The Trustee is focused on the effects of the global COVID-19 pandemic and is monitoring it as it unfolds, specifically:

- The Trustee manages the Fund's cash flow on a daily basis, and prepares for events that may affect the liquidity position;
- The Investment Manager, Funds SA, actively manages investments in line with the long-term investment strategy, and monitors and responds to movements in global investment markets; and
- Funds SA stress-test liquidity for a range of possible scenarios.

18. Segment information

The Fund operates in one reportable segment, being the provision of benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. While the Fund operates from Australia only, the Fund, through its investment managers Funds SA, has investment exposures in different countries and across different industries. Revenue derived from interest and the realised and unrealised changes from the different segments is reflected in the value of investments.

19. Related parties

As detailed in Note 1, the Southern Select Super Corporation is a subsidiary of the Treasurer, pursuant to the Public Corporations (Southern Select Super Corporation) Regulations 2012 (the Regulations), established under section 24 of the Public Corporations Act 1993, to act as Trustee of the Fund.

Related parties of the Corporation include all key management personnel and their close family members, all Cabinet Ministers and their close family members and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

(a) The Southern Select Super Corporation

Gregory Boulton (Presiding Member - Appointed 1/12/2018)
Virginia Deegan (Re-appointed 1/12/2018)
Richard Dennis (Re-appointed 1/12/2018)
Bill Griggs (Re-appointed 1/12/2018)
Alison Kimber (Appointed 1/12/2018)
Amanda Heyworth (Deputy Member – Appointed 1/12/2018)
Liz Hlipala (Deputy Member - Re-appointed 1/12/2018)
Leah York (Deputy Member - Re-appointed 1/12/2018)
John Wright (Deputy Member - Re-appointed 1/12/2018)

(b) The Southern Select Corporation Board Audit, Risk and Finance Committee

Virginia Deegan (Convenor)
Gregory Boulton (Appointed 19/12/18)
Richard Dennis (Appointed 19/12/18)
John Wright

(c) Key management personnel

The key management personnel of the Fund includes the Treasurer, Board members and the Chief Executive and the five members of the Executive Group, State Superannuation Office who have responsibility for the strategic direction and management of the Fund.

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(d) **Compensation**

No remuneration is paid in relation to the Corporation. All key management personnel are compensated through the Department of Treasury and Finance (DTF), with compensation disclosed in the respective financial reports.

(e) **Transactions with key management personnel and other related parties**

There were no transactions requiring disclosure for key management personnel or related parties.

(f) **Transactions with other government entities**

There were no significant transactions with government entities other than those disclosed elsewhere in the financial statements.

20. Events after the reporting period

There were no significant events after the reporting period.

Super SA Select

Certification of the financial report

We certify that the:

Financial statements of Super SA Select:

- are in accordance with the accounts and records of the Fund; and comply with relevant Treasurer's instructions; and
- comply with relevant accounting standards; and
- present a true and fair view of the financial position of the Fund at the end of the financial year and the result of its operations and
- cash flows for the financial year.

Internal controls employed by the Fund over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Gregory Boulton AM
PRESIDING MEMBER
SOUTHERN SELECT SUPER CORPORATION



Dascia Bennett
CHIEF EXECUTIVE
STATE SUPERANNUATION OFFICE



Erin Fitzgerald
DIRECTOR, FINANCE AND BUSINESS TRANSFORMATION
STATE SUPERANNUATION OFFICE

Date 17 September 2020
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