

RETAIL EMPLOYEES SUPERANNUATION TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

ABN: 62 653 671 394
Fund Registration Number: R1000016

**RETAIL EMPLOYEES SUPERANNUATION TRUST
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FOR THE YEAR ENDED 30 JUNE 2021**

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Independent Auditor's report on financial statements

Independent Auditor's report approved form for a Registrable Superannuation Entity (RSE) that is a reporting entity

Report by the RSE Auditor to the trustee and members of Retail Employees Superannuation Trust (ABN: 62 653 671 394)

Opinion

I have audited the financial statements of **Retail Employees Superannuation Trust (the "Trust")** for the year ended 30 June 2021 comprising the Statement of Financial Position, Income Statement, Cash Flow Statement, Statement of Changes in Member Benefits, Statement of Changes in Reserves, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of the Trust as at 30 June 2021 and the results of its operations, cash flows, changes in reserves and changes in member benefits for the year ended 30 June 2021.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the **Auditor's Responsibilities** section of my report. I am independent of the entity in accordance with the auditor independence requirements of the **Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)** (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Materiality

For the purpose of our audit, I used approximately 1% of the Trust's **net assets available for members'** benefits to set our overall materiality.

I applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

I chose net **assets available for members' benefits because, in** my view, it is the metric against which the performance of the Trust is most commonly measured and is a generally accepted benchmark in the Superannuation industry.

I utilised 1% as the threshold based on my professional judgement, noting it is within the range of commonly acceptable thresholds.

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Audit Scope

My audit of the financial statements focused on where the Trust made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

My audit approach reflects the nature of the Trust's **investment operations and administration of** member balances, with consideration to the work undertaken by the Trust's **third-party** service providers, external investment managers and external valuation experts.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Valuation of unlisted trusts</i> <i>Refer to note 2 (d) Fair value measurement of financial assets and liabilities and note 4 (f) Valuation inputs and relationship to fair value</i></p> <p>Note 2 (d) and 4 (f) describes how these investments are valued in accordance with the Trust's Valuation policy and recognised at fair value through profit or loss under Australian Accounting Standards.</p> <p>I considered this a key audit matter because of the:</p> <ul style="list-style-type: none">• financial significance of the asset balance• the level of judgement involved in the underlying assumptions used in the valuations models and valuation methods selected.• the sensitivity of fair value to any changes in assumptions used in the models.	<p>I assessed the design and tested the operating effectiveness of certain controls supporting the Trust's asset valuation process, including controls relating to the oversight and review of the valuation policies and methodology adopted by the Trust's external investment managers and the review and approval of independent valuations.</p> <p>I performed risk assessment procedures over the Level 3 investments managed directly by the Trust's internal investment team, taking into consideration the asset classes, geographies and characteristics of individual directly valued assets. Based on the risk assessment procedures performed, for a sample of investments, I have performed the following procedures, amongst others:</p> <ul style="list-style-type: none">• Agreed the fair value reported by the external valuers to the Trust's accounting records.• Assessed the objectivity, competency and capability of the external valuers and evaluated whether the valuations were performed in accordance with the Trust's Investment Valuation Policy.• Assessed the appropriateness of the valuation approach and appropriateness of key assumptions used in the valuations, with the assistance of PwC valuation experts as needed. <p>I performed risk assessment procedures over the <i>Level 2 unlisted trusts and level 3 investments managed by external investment managers</i>, taking into consideration the nature and type of underlying</p>



investments held by the investment funds. Based on the risk assessment procedures performed, I performed the following procedures, amongst others:

- Obtained valuation statements provided by external investment managers of the investment funds and compared the valuation quoted by the external investment managers to the Trust's **accounting records**.
- Assessed the reliability of the valuation statements by comparison to the most recent available audited financial statements.

I assessed the reasonableness of the Trust's disclosures in the financial report in light of the requirements of Australian Accounting Standards. In particular I considered the adequacy of the disclosures made in note 4 to the financial statements, which explain the valuation inputs and relationship to fair value for the Trust's unlisted trusts.

Valuation of listed equity securities, interest bearing securities, discount securities, and derivatives

Refer to note 2 (d) Fair value measurement of financial assets and liabilities and 4 (e) Fair value hierarchy

Note 2 (d) of the financial statements describes the valuation methodology used by the Trust to measure the fair value of the financial assets and liabilities under Australian Accounting Standards.

I considered this a key audit matter because of the:

- financial significance of the asset balance.

I assessed the design and operating effectiveness of relevant controls operated by the third-party service providers of administration and custody services. I performed the following procedures, amongst others:

- Inspected the most recent reports provided to the Trust by the service providers setting out the controls in place at that service provider, and that included an independent audit opinion over the design and operating effectiveness of those controls.
- Developed an understanding of the control objectives and associated control activities and evaluated the results of the tests undertaken and the conclusions formed by the auditor on the design and operating effectiveness of controls, to the extent relevant to our audit of the valuation of the relevant financial assets and liabilities.

I independently obtained price data from third party vendors and compared the prices to that used by the administrator as at balance sheet date.

Responsibilities of the trustee for the Financial Statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Australian Auditing Standards, I exercised professional judgment and maintained professional scepticism throughout the audit. I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal controls 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 RSE's internal control**.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Concluded on the appropriateness of the **trustee's** use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events **or conditions that may cast significant doubt on the RSE's ability to continue as a going concern**. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my audit opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.



From the matters communicated with the trustee, I determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I described these matters in my report unless law or regulation precluded public disclosure about the matter or when, in extremely rare circumstances, I determined that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers
PricewaterhouseCoopers

SJ Smith
SJ Smith
Partner

Sydney
27 September 2021



Auditor's Independence Declaration

As lead auditor for the audit of Retail Employees Superannuation Trust (ABN: 65 653671 394) for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *APRA Prudential Standards SPS 510 Governance* 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 'SJ Smith', is positioned above the printed name.

SJ Smith
Partner
PricewaterhouseCoopers

Sydney
27 September 2021

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**RETAIL EMPLOYEES SUPERANNUATION TRUST
TRUSTEE DECLARATION
FOR THE YEAR ENDED 30 JUNE 2021**

In the opinion of the Directors of Retail Employees Superannuation Pty Limited, being the Trustee of Retail Employees Superannuation Trust:

- (i) the accompanying financial statements of Retail Employees Superannuation Trust are properly drawn up so as to present fairly the financial position of the Trust as at 30 June 2021 and the results of its income, changes in member benefits, changes in reserves and its cashflows for the year ended on that date in accordance with applicable Accounting Standards and other mandatory professional requirements in Australia; and
- (ii) The Trust's financial statements have been prepared in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and its accompanying Regulations; the relevant requirements of the Corporations Act 2001 and Regulations; the requirements under section 13 of the Financial Sector (Collection of Data) Act 2001, during the year ended 30 June 2021.

Signed in accordance with a resolution of the Board of Directors of Retail Employees Superannuation Pty Limited (ABN 39 001 987 739).

Signed at Sydney this 27th day of September 2021



Director

RETAIL EMPLOYEES SUPERANNUATION TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	NOTE	30-Jun-21 \$'000	30-Jun-20 \$'000
ASSETS			
Cash and Cash Equivalents		67,199	77,520
Receivables		13,825	8,353
Investment Income Receivable		384,039	320,806
Financial Investments			
Unsettled Investment Sales		135,907	106,630
Cash and Cash Equivalents	5(a)	2,444,887	3,277,365
Listed Equity Securities	5(a)	36,696,790	25,094,305
Interest Bearing Securities	5(a)	3,837,859	6,889,515
Discount Securities		3,180,412	3,166,992
Derivatives	5(a)	286,452	835,617
Unlisted Trusts	5(a)	19,961,118	15,298,453
Direct Property		-	858,484
		<u>66,543,425</u>	<u>55,527,361</u>
Other Assets			
Fixed Assets		960	1,501
TOTAL ASSETS		<u>67,009,448</u>	<u>55,935,541</u>
LIABILITIES			
Trade and Other Payables			
Insurance Premiums Payable		33,101	33,273
Administration Expenses Payable		1,957	2,321
Sundry Creditors		18,641	19,468
Audit Fees Payable		383	169
Financial Liabilities			
Unsettled Investment Purchases		106,272	156,276
Investment Management Fees Payable		52,274	73,772
Other Investment liabilities	5(b)	-	6,486
Derivatives	5(b)	425,467	286,139
Tax Liabilities			
Income Tax Payable		471,841	64,460
Deferred Tax Liabilities	14	1,016,499	560,505
TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS		<u>2,126,435</u>	<u>1,202,869</u>
NET ASSETS AVAILABLE FOR MEMBER BENEFITS		<u>64,883,013</u>	<u>54,732,673</u>
MEMBER BENEFITS			
Allocated to Members		64,520,994	54,459,134
Defined Benefit Plan Asset		18,015	18,130
Unallocated Contributions		4,460	7,303
Total Member Liabilities		<u>64,543,469</u>	<u>54,484,567</u>
TOTAL NET ASSETS		<u>339,544</u>	<u>248,106</u>
EQUITY			
Administration Reserve		52,649	29,998
Operational Risk Reserve		151,583	138,825
Other Reserves	3	87,755	63,364
Unallocated Surplus		47,557	15,919
TOTAL EQUITY		<u>339,544</u>	<u>248,106</u>

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

**RETAIL EMPLOYEES SUPERANNUATION TRUST
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	30-Jun-21 \$'000	30-Jun-20 \$'000
SUPERANNUATION ACTIVITIES			
Interest		217,428	371,944
Dividends and distributions from unit trusts		1,637,302	1,421,580
Rental Income		46,141	59,023
Net changes in fair value of financial instruments	6	8,633,149	(2,475,551)
Investment rebates		58	3,289
Stock lending income		2,678	5,827
Other income		796	3,408
TOTAL SUPERANNUATION ACTIVITIES INCOME		10,537,552	(610,480)
INVESTMENT EXPENSES			
Investment management fees		149,465	173,900
Property expenses		11,529	16,777
Custodian fees		6,143	6,041
Other investment expenses		38,543	84,149
GENERAL ADMINISTRATION EXPENSES			
Administration expenses		82,909	94,783
Trust operating expenses		115,340	128,338
Professional services	17	1,696	1,669
Advertising and marketing		5,987	6,889
Expense on reserves		124	2,294
TOTAL EXPENSES		411,736	514,839
RESULTS FROM SUPERANNUATION ACTIVITIES BEFORE INCOME TAX EXPENSE		10,125,816	(1,125,319)
INCOME TAX EXPENSE/ (BENEFIT)	14	879,522	(234,560)
RESULTS FROM SUPERANNUATION ACTIVITIES AFTER INCOME TAX EXPENSE		9,246,294	(890,759)
Less: net benefits allocated to members' accounts		(9,154,856)	806,080
OPERATING RESULT AFTER INCOME TAX		91,438	(84,679)

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

**RETAIL EMPLOYEES SUPERANNUATION TRUST
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	30-Jun-21 \$'000	30-Jun-20 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		217,428	407,717
Dividends		1,089,400	1,118,089
Distributions from unit trusts		451,363	248,372
Rental income		46,141	59,023
Insurance proceeds		265,935	370,565
Other general administration expenses		(210,434)	(227,250)
Other income		4,446	11,844
Insurance premiums		(423,166)	(676,927)
Income tax (paid) / received		(16,146)	130,008
Net cash inflows from operating activities	13	1,424,967	1,441,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flow from purchase and sale of investments		(3,124,725)	(320,786)
Sale of fixed assets		531	528
Investment expenses (net of rebates)		(206,478)	(184,739)
Net cash outflows from investing activities		(3,330,672)	(504,997)
CASH FLOWS FROM FINANCING ACTIVITIES			
Employer contributions		5,026,523	4,718,703
Member contributions		549,968	406,324
Transfers from other superannuation plans received		984,685	1,498,877
Government co-contributions received		9,721	9,738
Low income super contributions received		124,680	131,866
Benefits paid to members		(4,885,396)	(6,245,541)
Income tax paid on contributions received		(747,274)	(613,606)
Net cash inflows / (outflows) from financing activities		1,062,907	(93,639)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(842,798)	842,805
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD		3,354,884	2,512,079
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		2,512,086	3,354,884

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

**RETAIL EMPLOYEES SUPERANNUATION TRUST
STATEMENT OF CHANGES IN MEMBER BENEFITS
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	30-Jun-21 \$'000	30-Jun-20 \$'000
OPENING BALANCE OF MEMBER BENEFITS		54,484,567	55,705,676
Contributions:			
Employer		5,026,523	4,718,702
Member		549,968	406,323
Rollovers		984,685	1,498,877
Government Co-Contributions		9,721	9,737
Low Income Super Contributions		124,680	131,865
Income tax on contributions		(747,274)	(613,606)
Net after tax contributions		<u>5,948,303</u>	<u>6,151,898</u>
Benefits to Members/Beneficiaries		(4,885,396)	(6,245,541)
Insurance premiums charged to Members' accounts		(422,996)	(642,857)
Income protection benefit to members		(160,829)	(137,432)
Income protection benefit from insurer		160,829	137,432
Death and disability insurance benefits credited to Members' accounts		264,135	321,468
Net Benefits allocated to Members' accounts, comprising:			
Net investment income		9,323,586	(651,093)
Administration fees		(168,730)	(154,984)
CLOSING BALANCE OF MEMBER BENEFITS		<u><u>64,543,469</u></u>	<u><u>54,484,567</u></u>

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

RETAIL EMPLOYEES SUPERANNUATION TRUST
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 JUNE 2021

	Administration Reserve ¹	Operational Risk Financial Reserve ²	Other Reserves ³	Unallocated Surplus/ (Shortfall)	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
OPENING BALANCE AS AT 1 JULY 2020	29,998	138,825	63,364	15,919	248,106
Net transfers to/from reserves	22,651	12,758	24,391	(59,800)	-
Unallocated surplus	-	-	-	91,438	91,438
CLOSING BALANCE AS AT 30 JUNE 2021	52,649	151,583	87,755	47,557	339,544

	Administration Reserve ¹	Operational Risk Financial Reserve ²	Other Reserves ³	Unallocated Surplus/ (Shortfall)	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
OPENING BALANCE AS AT 1 JULY 2019	50,059	140,271	113,778	28,677	332,785
Net transfers to/from reserves	(20,061)	(1,446)	(50,414)	71,921	-
Unallocated surplus	-	-	-	(84,679)	(84,679)
CLOSING BALANCE AS AT 30 JUNE 2020	29,998	138,825	63,364	15,919	248,106

¹ The administration reserve was established to meet the Trust's operating expense obligations.

² The operational risk financial reserve (ORFR) may be used in certain circumstances to address operational risk events or claims against the Trust arising from operational risk. The Trustee has assessed an ORFR target of 0.25% of funds under management as appropriate for the Trust.

³ Refer to Note 3 for breakdown. Other reserves comprise:

- Capital Reserve: established to fund strategic initiatives.
- Group Life Insurance Reserve: established to primarily fund expenses specifically relating to the provision of insurance to members.
- Partnership Development Fund Reserve: established by AIA in accordance with the contract between Rest and AIA dated 1 July 2013. Those terms ended on 1 December 2019 as a result of the change in insurer from AIA to TAL.

The above Statement of changes in Reserves should be read in conjunction with the accompanying notes.

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 1. GENERAL INFORMATION

Retail Employees Superannuation Trust ("the Trust") (ABN 62 653 671 394) operates as a superannuation fund domiciled in Australia. The head office is located at 321 Kent Street, Sydney, NSW 2000. The Trust was established by a Trust Deed dated on the 2nd of December 1987 and was registered with the Australian Prudential Regulation Authority on the 30th of September 2004. The licence number (RSE) is R1000016. The Trust is a public offer fund. The purpose of the Trust is to provide superannuation products predominantly to members in the retail sector. The types of superannuation products provided are both defined benefit and accumulation. For the purposes of the financial statements the Trust is a profit to members entity.

The Directors of the Trustee authorised the issue of the Financial Statements on the 27th September 2021. The directors of the Trustee have the power to amend and re-issue these Financial Statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Financial Statements are general purpose statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board including AASB 1056 Superannuation Entities ("AASB 1056"), the Superannuation Industry (Supervision) Act 1993 and Regulations and the provisions of the Trust Deed. The Trust exists for the benefit of members, but for the purposes of the financial statements, the Trust is classified as a for profit entity as required by law and under accounting standards.

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial investments, derivative liabilities and net assets available for member benefits.

The financial statements disclose all matters of which we are aware that are relevant to the Trust's ability to continue as a going concern. We have had regard to the risks associated with COVID-19 (including the impact COVID-19 has had on financial markets) when evaluating the disclosure in the financial statements and, having considered the associated risks and the source of the Trust's revenue, the Directors of the Trustee do not consider there to be any risk of the Trust not being able to meet its liabilities as they fall due over the period of twelve months from the date of signing these financial statements. The Directors of the Trustee are therefore of the view that the going concern basis of preparation remains appropriate.

(b) Statement of Compliance

The Financial Statements are prepared on the basis of the revised Australian Accounting Standards, which include Australian equivalents of International Financial Reporting Standards ("AIFRS"). Since AASB 1056 is the principal standard that applies to the financial statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AASB 1056.

(c) New and amended standards adopted by the Trust

There are no standards, interpretations or amendments to standards that are effective for the first time in the financial year commencing on 1 July 2020 that have a material impact on amounts recognised in the prior or current periods or that will affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period and have not been early adopted by the Trust. None of these are expected to have a material effect on the financial statements of the Trust.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Valuation of financial assets and financial liabilities

At initial recognition, financial assets and financial liabilities of the Trust are recorded at fair value through profit or loss in accordance with AASB 1056. Gains and losses are presented in the income statement in the period in which they arise as net changes in fair value of financial instruments. Transaction costs for financial assets and financial liabilities carried at fair value through profit or loss are expensed in the income statement. Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses are presented in the income statement in the period in which they arise as net changes in fair value of financial instruments.

(e) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position and Cash Flow Statement comprises cash at bank with the administrator for operational activities of the Trust and cash at bank and cash equivalents held to facilitate investment operations.

For the purpose of the Statement of Cash Flows, Cash consists of Cash and Cash Equivalents as defined above.

(f) Revenue Recognition

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

Measurement

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses are presented in the income statement in the period in which they arise as net changes in fair value of financial instruments.

Interest

Revenue is recognised as interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends and Distributions

Revenue is recognised gross of withholding tax in the income statement when the right to receive payment is established.

Rental Income and Expense

Rental income is the gross rent earned on direct property investments, and property expenses are shown separately as part of investment expenses.

(g) Income Tax

The Trust is a complying superannuation fund within the provisions of the Income Tax Assessment Act. Accordingly, the concessional tax rate of 15% has been applied on net investment earnings with deductions allowable for administrative and operational expenses. Financial investments held for less than 12 months are taxed at the Trust's rate of 15%. For financial investments held for more than 12 months, the Trust is entitled to a further discount on the tax rate leading to an effective tax rate of 10% on any gains/(losses) arising from the disposal of investments.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial purposes.

Deferred income tax liabilities are recognised for all assessable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Death and Disablement Insurance

Insurance claims received have been classed as "Death and disability insurance benefits credited to Members' accounts" and the corresponding benefit paid/payable to members has been included in 'Benefits to Member/Beneficiaries' in the Statement of Changes in Member Benefits.

(i) Fixed Assets

Motor vehicles, office equipment and furniture are depreciated over their estimated useful life. The cost of office refurbishment has been capitalised and is being amortised over the life of the lease.

(j) Employee Entitlements

The Trust has calculated annual and long service leave entitlements on a present value basis of employees' entitlements not settled as at the end of the reporting period. Expenses which are consequential to the employment of the employees but which are not employee entitlements, for example, on-costs associated with annual and long service leave liability, have also been recognised as liabilities where the entitlements to which they relate have been recognised as liabilities and expenses in accordance with AASB 119 - Employee Benefits.

(k) Investment Entity

The Trust has multiple investments which are controlled by it. However, the Trust has determined that it is an investment entity under the definition in AASB 10 as it meets the following criteria:

- (a) the Trust has obtained funds from members for the purpose of providing them with superannuation services.
- (b) the Trust's business purpose, which is communicated directly to members, is investing solely for returns from capital appreciation and investment income; and
- (c) the performance of investments made by the Trust are measured and evaluated on a fair value basis.

The Trust also meets all of the typical characteristics of an investment entity. As a consequence, the Trust does not consolidate these investments, but accounts for them at fair value with movements in fair value being recognised in the Income Statement.

(l) Goods and Services Tax

Revenues, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST to the extent that the GST is recoverable from the taxation authority. Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated inclusive of GST. The net amount of GST receivable from the taxation authority is included as part of receivables in the Statement of Financial Position. Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(m) Derecognition of Financial Assets and Financial Liabilities

A financial asset is derecognised when:

- (a) the rights to receive cash flows from the asset have expired; or
- (b) the Trust transfers substantially all the risks and rewards of ownership of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(n) Significant Accounting Judgements, Estimates and Assumptions

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Trust's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by the Trust's experienced investments professionals. The COVID-19 pandemic situation continues, and many uncertainties remain as to the effect the crisis will have on the Trust's investments and the broader domestic and international economies and markets. As a result, the financial and capital markets may experience volatility and uncertain future economic prospects, and therefore, impact these valuation techniques. The economic and regulatory impacts of COVID-19 is evolving over time. The valuation of the Trust's level 3 investments is based on data available at the time of the relevant valuation which may change as circumstances and events continue to unfold. The Trustee acknowledges that current valuations are subject to 'material valuation uncertainty' as a consequence of this, and will continue to closely monitor the valuations of level 3 investments through the COVID-19 pandemic. Refer to note 4 (f) for details.

(o) Valuation of Accrued Benefits

The amount of accrued benefits has been actuarially determined. The key assumptions are discussed in note 9.

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Receivables and Payables

Receivables are carried at nominal amounts due, which approximates fair value. Receivables are normally settled within 30 days. An allowance for uncollectible amounts is only made where there is objective evidence that the debt will not be collected.

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Trust and are carried at nominal amounts which approximate fair value. Payables are normally settled on 30 day terms.

(q) Member Benefits and Member Liabilities

Total Member Benefits is the Trust's present obligation to pay benefits to members and beneficiaries. This has been calculated as the difference between the carrying amount of the assets and the carrying amounts of the liabilities, income tax liabilities and reserves at balance date. Member Liabilities are benefits which are not conditional upon continued membership of the Trust (or any factor other than resignation from the Trust) and include benefits which members were entitled to receive had they terminated their membership as at the balance date. Investment earnings are allocated to members accounts via the unit pricing process as soon as the valuation information is available. However, due to the time lag in receiving certain valuations, there will always be a timing difference between the valuations used for allocation to member accounts and that reflected in the financial statements. This difference is the investment earnings not yet allocated and can be positive or negative.

Contributions and transfers in are recognised when control of the asset has been attained and are recorded, gross of any tax, in the period to which they relate.

(r) Foreign Currency

Both the functional and presentation currency of the Trust is Australian dollars (\$). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, are recognised in the operating result in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

s) Comparative information

Where necessary the amounts shown for the previous year have been reclassified to facilitate comparison.

t) Rounding of amounts

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

NOTE 3. OTHER RESERVES

	30-Jun-21 \$'000	30-Jun-20 \$'000
Other Reserves are split into the following components:		
Capital Reserve	6,731	14,504
Group Life Insurance Reserve	59,945	28,825
Partnership Development Fund Reserve	21,079	20,035
	<u>87,755</u>	<u>63,364</u>

NOTE 4. FINANCIAL RISK MANAGEMENT

The investments of the Trust (other than cash held for liquidity purposes), comprising discretely managed portfolios and units in collective investment vehicles such as various unit trusts and other managed investments, are held on behalf of the Trustee by its global custodian. Each investment manager is required to invest the assets managed by it in accordance with the terms of a written mandate. The Trustee has determined that appointment of these managers is appropriate for the Trust and is in accordance with the Trust's investment strategy.

For the Core Strategy Option, the Trustee determines the asset allocation to different asset classes within specific ranges. The Trustee receives advice from its investment adviser in making its assessment. The asset allocation is reviewed monthly. The other investment options have set asset allocations which are reviewed annually.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)

The Trust's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Trustee manages this investment risk as part of its overall risk management framework. The Trust's investment managers may use derivative financial instruments to reduce risks in the share, bond and currency markets and to increase or decrease the Trust's exposure to particular investment classes or markets within pre-determined ranges. Derivative financial instruments are included in the relevant asset category in the Statement of Financial Position.

Financial risk management is carried out by the Trustee through the Investment Committee with advice from an external investment adviser and internal management. The Trustee obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks.

The Trustee uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ratings analysis for credit risk. The Trust's investment adviser uses a range of qualitative and quantitative measures when assessing the individual managers' and overall Trust's investment arrangements.

(a) Market Risk**(i) Price Risk**

The Trust is exposed to equity securities and derivative securities price risk. This arises from investments held by the Trust for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. The securities are classified on the Statement of Financial Position at fair value. All securities investments present a risk of loss of capital. The maximum risk is determined by the fair value of the financial instruments.

The Trustee mitigates this price risk through diversification. Diversification is achieved through investment manager selection with a range of investment styles and different investment mandates. The majority of the Trust's equity investments are publicly traded and included in the major ASX indices or the MSCI World Index.

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. Investment manager mandate compliance and performance reports against benchmark are reported on a regular basis to the Investment Committee.

The fair value of equities and related derivatives exposed to price risk were as follows:

	30-Jun-21	30-Jun-20
	\$'000	\$'000
Derivatives assets	149,507	212,769
Equity securities	36,696,790	25,094,305
Unlisted unit trusts	19,961,118	15,298,453
Derivatives liabilities	(97,843)	(122,844)
	<u>56,709,573</u>	<u>40,482,683</u>

The Trust's exposure to price risk on derivative contracts was as follows:

	30-Jun-21	30-Jun-20
	\$'000	\$'000
Net fair value exposure from derivatives	51,664	89,925
Net notional ¹ exposure from derivatives	140,823	478,629

¹ This represents the net prima facie contract value of the derivatives.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(a) Market Risk (Continued)****(i) Price risk (continued)**

The below table is a summary of derivatives held which give rise to price risk:

Derivative type	30-Jun-21		30-Jun-20	
	Net Notional Value \$'000	Net Fair Value \$'000	Net Notional Value \$'000	Net Fair Value \$'000
Low exercise price options	12	49,141	(7)	70,901
Futures				
Euro Stoxx 50 Index	34,304	(315)	(132,341)	(769)
FTSE 100 Index Futures	15,836	(194)	(60,585)	308
Hang Seng Index Futures	2,148	(116)	-	-
MSCI Emerging Markets Index	25,910	(971)	(91,493)	(325)
S&P/TSX 60 Index	7,515	265	(25,553)	(439)
E-mini S&P 500 Futures	151,799	2,119	(809,330)	(12,747)
SPI 200 Futures	(103,650)	1,752	1,641,364	31,639
Swiss Market Index Futures	6,686	165	(42,561)	(75)
Tokyo Stock Price Index Futures	263	(183)	(865)	1,432
S&P 500 Futures	-	-	-	-
	<u>140,811</u>	<u>2,522</u>	<u>478,636</u>	<u>19,024</u>

Sensitivity analysis

The percentage increases in the relevant asset classes as set out in the table below at the reporting date would have increased the net assets available to pay benefits by \$7,060,736,000 (2020: an increase of \$5,853,115,000). An equal change in the opposite direction would have decreased the net assets available to pay benefits by \$7,060,736,000 (2020: a decrease of \$5,853,115,000). The impact on the net investment revenue would have been an increase or decrease of \$7,060,736,000 (2020: \$5,853,115,000). The impact mainly arises from the reasonably possible change in the fair value of listed equities, direct property, unlisted trusts and equity derivatives. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, in consultation with its investment adviser, having regard to the average absolute annual returns of the relevant index in local terms over a 10 year period.

Asset Class	Percentage	
	2021	2020
Absolute Return	7%	5%
Australian Equities	15%	11%
Australian Listed Properties	19%	15%
Unlisted Properties	8%	9%
Equity Strategies	16%	12%
Global Investment grade Bonds	4%	3%
Unlisted Infrastructure	11%	12%
International Equities	16%	12%
International Listed Properties	15%	13%
Listed Infrastructure	14%	12%
Private Equities	17%	16%
Sub Investment Grade Bonds	8%	7%

(ii) Foreign Exchange Risk

The Trust holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis. The Trust's investment policy states that the benchmark allocation for foreign currency exposure is 20% (2020: 20%). The minimum of the allowable range is 10% (2020: 10%). The maximum of the allowable range is equal to the top of the range for the overseas asset classes. However, the actual level of foreign currency exposure within the Core Strategy will not be greater than the Target Asset Allocation to that asset class at any particular point in time. This is implemented via a currency overlay manager, who monitors the foreign currency exposure on a weekly basis, and takes out forward foreign exchange contracts as appropriate. For accounting purposes the Trust does not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified on the Statement of Financial Position at fair value. Compliance with the Trust's policy is reported to the Investment Committee on a regular basis.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(a) Market Risk (Continued)**

(ii) Foreign Exchange Risk (continued)

While the Trust has direct exposure to foreign exchange rate changes on the price of non Australian dollar-denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Trust invests directly, even if those companies securities are denominated in Australian dollars, or invests indirectly through investment in Australian denominated unit trusts that invests in non-Australian denominated securities. For that reason, the table and sensitivity analysis below may not necessarily indicate the total exposure to foreign exchange rate changes.

The table below summarises the Trust's assets and liabilities that are denominated in a currency other than the Australian dollar:

30-Jun-21	US Dollar A\$'000	Japanese Yen A\$'000	GB Pound A\$'000	Euro A\$'000	HK Dollar A\$'000	Other A\$'000	Total \$'000
Assets	12,510,734	799,216	1,215,639	1,819,691	829,371	3,259,215	20,433,866
Liabilities	(270,399)	(11,048)	(13,231)	(42,435)	(5,330)	(37,484)	(379,927)
Foreign Exchange Contracts **	(6,923,611)	(350,235)	(618,033)	(1,272,424)	(76,894)	(869,096)	(10,110,293)
Net Exposure	5,316,724	437,933	584,375	504,832	747,147	2,352,635	9,943,646

30-Jun-20	US Dollar A\$'000	Japanese Yen A\$'000	GB Pound A\$'000	Euro A\$'000	HK Dollar A\$'000	Other A\$'000	Total \$'000
Assets	10,405,123	774,193	1,175,189	1,846,630	846,497	2,856,270	17,903,902
Liabilities	(126,440)	(15,682)	(9,356)	(29,478)	(1,323)	(32,843)	(215,121)
Foreign Exchange Contracts **	(8,605,467)	(545,791)	(412,601)	(973,562)	(223,341)	(605,912)	(11,366,674)
Net Exposure	1,673,216	212,720	753,232	843,590	621,833	2,217,515	6,322,106

** Foreign Exchange Contracts are the value of the exchange exposure (rather than the market value of the foreign exchange contracts).

Sensitivity analysis A 9% strengthening (2020: 7%) of the Australian dollar against the following currencies at the reporting date would have increased/(decreased) the net assets available to pay benefits and the net investment revenue by the amounts shown in the table below. The analysis assumes that all other variables, in particular interest rates, remain constant. The impact mainly arises from the reasonably possible change in foreign currency rates. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, in consultation with its investment adviser, having regard to the average absolute divergence between the unhedged and hedged MSCI World Index ex Australia annual returns over a 10 year period. The amounts include both monetary and non monetary items because it is not feasible to allocate the FFX hedging against specific assets.

	US Dollar A\$'000	Japanese Yen A\$'000	GB Pound A\$'000	Euro A\$'000	HK Dollar A\$'000
30-Jun-21	(438,996)	(36,160)	(48,251)	(41,683)	(61,691)
30-Jun-20	(109,463)	(13,916)	(49,277)	(55,188)	(40,681)

A 9% weakening (2020: 7%) of the Australian dollar against the above currencies at the reporting date would have the equal but opposite effect to the amounts shown above on the basis that all other variables remain constant.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(a) Market Risk (Continued)**

(iii) Interest Rate Risk

The Trust's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cashflows. The risk is measured using sensitivity analysis. As at 30 June 2021, the Trust's investment strategy is to hold approximately 13% (2020: 18%) invested in fixed interest securities, either via mandates or through unlisted trusts. The Trustee monitors its fixed interest exposure on a monthly basis. The Trust may also enter into derivative financial instruments to mitigate the risk of future interest rate changes.

The Trust's exposure to interest rate movements on those investments at 30 June 2021 was as follows:

30-Jun-21	Floating Interest rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets				
Unsettled Investment Sales	-	-	135,907	135,907
Cash and Cash Equivalents	2,324,924	119,963	-	2,444,887
Listed Equity Securities	-	-	36,696,790	36,696,790
Interest Bearing Securities	1,147,052	2,690,807	-	3,837,859
Discount Securities	3,180,412	-	-	3,180,412
Derivatives	-	-	286,452	286,452
Unlisted Trusts	-	-	19,961,118	19,961,118
Direct Property	-	-	-	-
Financial Liabilities				
Unsettled Investment Purchases	-	-	(106,272)	(106,272)
Investment Management Fees Payable	-	-	(52,274)	(52,274)
Other Investment liabilities	-	-	-	-
Derivatives	-	-	(425,467)	(425,467)
Total	6,652,388	2,810,770	56,496,254	65,959,412
Net increase/decrease in exposure from interest rate futures (notional principal)	(439,932)	439,932	-	-
Net exposure	6,212,456	3,250,702	56,496,254	65,959,412

30-Jun-20	Floating Interest rate \$'000	Fixed Interest Rate \$'000	Non Interest Bearing \$'000	Total \$'000
Financial Assets				
Unsettled Investment Sales	-	-	106,630	106,630
Cash and Cash Equivalents	3,026,468	250,897	-	3,277,365
Listed Equity Securities	-	-	25,094,305	25,094,305
Interest Bearing Securities	1,817,345	5,072,170	-	6,889,515
Discount Securities	3,166,992	-	-	3,166,992
Derivatives	-	-	835,617	835,617
Unlisted Trusts	-	-	15,298,453	15,298,453
Direct Property	-	-	858,484	858,484
Financial Liabilities				
Unsettled Investment Purchases	-	-	(156,276)	(156,276)
Investment Management Fees Payable	-	-	(73,772)	(73,772)
Other Investment liabilities	-	-	(6,486)	(6,486)
Derivatives	-	-	(286,139)	(286,139)
Total	8,010,805	5,323,067	41,670,816	55,004,688
Net increase/decrease in exposure from interest rate futures (notional principal)	(1,249,211)	1,249,211	-	-
Net exposure	6,761,594	6,572,278	41,670,816	55,004,688

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(a) Market Risk (Continued)**

(iii) Interest Rate Risk (Continued)

Sensitivity analysis

An increase of 77 basis points (2020: 70 basis points) in interest rates would have decreased the net assets available to pay benefits and the net investment revenue by \$80,271,000 (2020: a decrease of \$196,161,000). A move by the same amount in the opposite direction would have increased the net assets available to pay benefits and the net investment revenue by \$80,271,000 (2020: an increase of \$196,161,000).

The impact mainly arises from the reasonably possible change in interest rates on the fair value of fixed interest securities. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, in consultation with its investment adviser, having regard to the average annual absolute movement in the yields of 10 year Australian and US Government bonds over a 10 year period.

(b) Credit Risk

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents and amounts due from brokers. None of these assets are impaired nor past due but not impaired. The Trust manages its exposure to this other credit risk by undertaking transactions predominantly with counterparties with a minimum credit rating of A-.

The Trust primarily invests in debt securities which are rated by a well known rating agency. The Trust manages its exposure to credit risk by setting minimum grade ratings by investment type and a minimum overall weighted average credit rating in its investment mandates. Compliance with mandates is reported to the Investment Committee on a monthly basis.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by undertaking transactions predominantly with counterparties on recognised exchanges, and ensuring that transactions are undertaken with a range of counterparties.

The Trust does not have any significant exposure to any individual counterparty or industry. Its assets are invested by individual investment managers and in specific investment trusts and investment linked insurance policies.

The fair value of financial assets included in the Statement of Financial Position represent the Trust's exposure to credit risk in relation to those assets.

The cash at bank held with the administrator for operational activities has a credit rating of A (2020: A).

An analysis of Financial Investments with exposure to credit risk by rating are set out in the table below:

Australian Interest Bearing Securities	30-Jun-21 \$'000	30-Jun-20 \$'000
Rating		
AAA	853,993	2,942,321
AA	1,262,315	1,117,549
A	306,254	180,250
BBB	158,654	14,559
Not rated	5,995	57,073
Total	<u>2,587,211</u>	<u>4,311,752</u>
International Interest Bearing Securities	30-Jun-21 \$'000	30-Jun-20 \$'000
Rating		
AAA	-	195,614
AA	-	21,382
A	-	146,278
BBB	241,315	227,261
Below BBB	883,343	1,693,443
Not rated	125,990	293,785
Total	<u>1,250,648</u>	<u>2,577,763</u>

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(b) Credit Risk (Continued)**

Cash	30-Jun-21	30-Jun-20
	\$'000	\$'000
Rating		
AA	1,089,670	1,410,566
A	1,145,098	1,392,650
Total	<u>2,234,768</u>	<u>2,803,216</u>
Margin Accounts	30-Jun-21	30-Jun-20
	\$'000	\$'000
Rating		
A	90,156	223,252
Total	<u>90,156</u>	<u>223,252</u>
Term Deposits	30-Jun-21	30-Jun-20
	\$'000	\$'000
Rating		
AA	-	250,897
A	119,963	-
Total	<u>119,963</u>	<u>250,897</u>

(c) Liquidity Risk

Liquidity risk is the risk that the Trust will encounter difficulty in raising cash to meet commitments associated with member benefits.

The overall responsibility of the Trust's liquidity remains with the Trustee Board. However, responsibility for the day-to-day management of the Trust's liquidity position, within Trustee Board approved guidelines, lies with the Chief Investment Officer ("CIO") (who may delegate some or all of those responsibilities). The CIO, or delegate, regularly monitors the Trust's liquidity position and, on an annual basis, reviews the results of liquidity stress testing across a number of different scenarios. These tests assess the impact on the liquidity of the investment portfolio and any consequential impact on asset allocations for a range of stressed market events taking into account potential adverse impacts on cash flows resulting from investment switching by members, rollover and benefit requests, settling foreign currency transactions and funding capital call commitments. The liquidity position of the Trust is conditional on a number of external factors including the liquidity of the investment markets in which the Trust invests and the relevant legislative requirements governing members access to their superannuation benefits. The Fund is obligated to pay member benefits in accordance with the relevant legislative requirements. This includes the payment of rollovers to other superannuation funds upon request and the payment of benefits to members within 28 days from meeting a condition of release. A proportion of the Trust's investments are also not actively traded on a stock exchange or able to facilitate daily redemption requests because the Trustee believes these investment offer higher risk adjusted returns in the medium to long term. These include but are not limited to investments classified as Level 3 in the Fair Value Hierarchy.

In the prior year, the Trust built up its cash reserves as a result of the Australian Government stimulus package on members accessing a portion of their superannuation early via the Early Release Initiative, to ensure the Trust's liquidity position remained stable and could meet the demand of its members who meet the requirements under this initiative. For the period ending 30 June 2021, the Trust released \$1.6 billion (2020: \$1.7 billion) (included in benefits to members/beneficiaries in the statement of changes in member benefits) to members who have accessed their superannuation under the Early Release Initiative. The Early Release Initiative ended on 31 December 2020.

To control liquidity and cash flow interest rate risk, the Trust invests the large majority of its assets in financial instruments, which under normal market conditions are readily convertible to cash.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(c) Liquidity Risk (Continued)**

The table below analyses the contractual maturities of the Trust's financial liabilities, excluding gross settled derivative liabilities, based on the remaining period to the contractual maturity date at the year end.

30-Jun-21	Fair value \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	>12 months \$'000
Financial Liabilities					
Unsettled Investment Purchases	106,272	106,272	-	-	-
Other Investment liabilities	-	-	-	-	-
Investment Management Fees Payable	52,274	52,274	-	-	-
Net Settled Derivatives	100,330	-	100,330	-	-
Total Net Settled Financial Liabilities	258,876	158,546	100,330	-	-

30-Jun-20	Fair value \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	>12 months \$'000
Financial Liabilities					
Unsettled Investment Purchases	156,276	156,276	-	-	-
Other Investment liabilities	6,486	6,486	-	-	-
Investment Management Fees Payable	73,772	73,772	-	-	-
Net Settled Derivatives	123,026	-	123,026	-	-
Total Net Settled Financial Liabilities	359,560	236,534	123,026	-	-

In addition, Total Member Liabilities of \$64,543,469,000 (2020: \$54,484,567,000) has a contractual maturity of less than 1 month.

The table below analyses the contractual maturities of the Trust's derivative financial instruments that will be settled on a gross basis, based on the remaining period to the contractual maturity date at the year end.

30-Jun-21	Contract / Notional \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	>12 months \$'000
Foreign currency forward contracts					
Inflows	18,731,603	3,180,489	11,664,116	3,660,851	226,147
(Outflows)	(18,918,368)	(3,183,699)	(11,779,218)	(3,727,167)	(228,284)

30-Jun-20	Contract / Notional \$'000	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	>12 months \$'000
Foreign currency forward contracts					
Inflows	18,293,146	4,736,266	11,001,005	2,550,885	4,990
(Outflows)	(17,889,331)	(4,653,348)	(10,761,234)	(2,470,320)	(4,429)

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(d) Offsetting financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The Trust enters into derivative transactions under International Swaps and Derivative Association (ISDA) master netting arrangements. The market convention under such arrangements is for the amounts owed by each counterparty on a single day for all transactions in the same currency to be settled on a net basis. In certain circumstances such as when a credit default occurs, all outstanding transactions under the agreement are terminated, and the overall net position owing/receivable to the counterparty is settled.

The ISDA agreements do not meet the criteria for offsetting in the Statement of Financial Position because the Trust does not presently have a legally enforceable right of set-off, since it is enforceable only on the occurrence of future events. The impact of financial instruments subject to these agreements is shown in the table below:

30-Jun-21	Amount per financial statements \$'000	Related amount not offset \$'000	Net amount \$'000
Financial assets			
Forward Foreign Exchange	133,672	(58,430)	75,242
Financial liabilities			
Forward Foreign Exchange	325,136	(58,430)	266,706

30-Jun-20	Amount per financial statements \$'000	Related amount not offset \$'000	Net amount \$'000
Financial assets			
Forward Foreign Exchange	608,048	(114,633)	493,415
Financial liabilities			
Forward Foreign Exchange	163,113	(114,633)	48,480

(e) Fair value hierarchy

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels: Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1). Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2). Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy 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 in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by The Trust. The Trust considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The tables below set out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2021 and 30 June 2020.

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, low exercise price derivatives, government and semi government bonds. Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include, corporate bonds and certain unlisted unit trusts, forward foreign exchange contracts and swaps. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include direct property, Australian and international mortgage backed securities, and unlisted investments in infrastructure and property unit trusts. As observable prices are not available for these securities, the Trust has used valuation techniques to derive fair value.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(e) Fair value hierarchy (Continued)****Fair Value Hierarchy**

30-Jun-21	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
- Unsettled Investment Sales	135,907	135,907	-	-
- Cash and Cash Equivalents	2,444,887	2,444,887	-	-
- Listed Equity Securities	36,696,790	36,696,790	-	-
- Interest Bearing Securities	3,837,859	727,931	1,963,788	1,146,140
- Discount Securities	3,180,412	-	3,180,412	-
- Direct Property	-	-	-	-
- Unlisted Trusts	19,961,118	-	8,918,211	11,042,907
- Derivatives	286,452	152,780	133,672	-
Total Financial Asset	66,543,425	40,158,295	14,196,083	12,189,047
- Unsettled Investment Purchases	106,272	106,272	-	-
- Derivatives	425,467	100,331	325,136	-
- Investment Management Fees Payable	52,274	52,274	-	-
- Other Investment liabilities	-	-	-	-
Total Financial Liability	584,013	258,877	325,136	-
Net Financial Fair Value	65,959,412	39,899,418	13,870,947	12,189,047

30-Jun-20	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
- Unsettled Investment Sales	106,630	106,630	-	-
- Cash and Cash Equivalents	3,277,365	3,277,365	-	-
- Listed Equity Securities	25,094,305	25,093,527	-	778
- Interest Bearing Securities	6,889,515	2,662,498	2,413,710	1,813,307
- Discount Securities	3,166,992	-	3,166,992	-
- Direct Property	858,484	-	-	858,484
- Unlisted Trusts	15,298,453	-	5,244,032	10,054,421
- Derivatives	835,617	227,569	608,048	-
Total Financial Asset	55,527,361	31,367,589	11,432,782	12,726,990
- Unsettled Investment Purchases	156,276	156,276	-	-
- Derivatives	286,139	123,026	163,113	-
- Investment Management Fees Payable	73,772	73,772	-	-
- Other Investment liabilities	6,486	6,486	-	-
Total Financial Liability	522,673	359,560	163,113	-
Net Financial Fair Value	55,004,688	31,008,029	11,269,669	12,726,990

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(e) Fair value hierarchy (Continued)**

The table below sets out the movement in level 3 instruments by class of financial instrument:

30-Jun-21	Total \$'000	Interest Bearing Securities \$'000	Direct Property \$'000	Unlisted Trust \$'000	Listed Equity Securities \$'000
Opening Fair Value	12,726,990	1,813,307	858,484	10,054,421	778
Gains/(Losses) recognised in profit/loss	242,628	50,647	2,133	190,626	(778)
Add: Purchases in current year	7,101,924	386,406	865,048	5,850,470	-
Less: Sale Proceeds in Current year	(7,882,495)	(1,104,220)	(1,725,665)	(5,052,610)	-
Transfers into/(out) from level 3	-	-	-	-	-
Closing Fair Value	12,189,047	1,146,140	-	11,042,907	-

30-Jun-20	Total \$'000	Interest Bearing Securities \$'000	Direct Property \$'000	Unlisted Trust \$'000	Listed Equity Securities \$'000
Opening Fair Value	12,654,642	2,899,743	821,391	8,932,813	695
Gains/(Losses) recognised in profit/loss	(600,328)	(367,903)	9,000	(241,425)	-
Add: Purchases in current year	2,156,743	377,000	29,447	1,750,297	-
Less: Sale Proceeds in Current year	(1,976,914)	(1,095,533)	(1,354)	(880,028)	-
Transfers into/(out) from level 3	492,847	-	-	492,764	83
Closing Fair Value	12,726,990	1,813,307	858,484	10,054,421	778

Transfers between levels

The Trust's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. The following table presents the transfers between levels:

30-Jun-21	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers between levels 2 and 3 - Unlisted trusts	-	-	-

30-Jun-20	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers between levels 2 and 3 - Unlisted trusts	-	(492,764)	492,764

The transfer from level 2 to level 3 related to an unlisted trust which holds interest bearing securities where the valuation of these securities are based on unobservable data.

(f) Valuation inputs and relationship to fair value*Identification and evaluation of level 3 investments*

The Trustee has established a Board Investment Committee ("IC") which oversees the valuation of the Trust's investment portfolio.

Portfolio reviews are undertaken regularly by the Trust's investment custodian to identify securities that may not be actively traded or have stale security prices. This process identifies securities which could be regarded as being Level 3 securities.

In addition to securities identified as Level 3 by the Trust's custodian, the IC maintains a record of investments which are known to have characteristics of Level 3 securities as inputs for the valuation of these investments are not based on observable market data (that is, unobservable inputs). These include investments which may be either managed by an external investment manager or directly by the Trust's internal investment team.

The IC meets to review valuations identified as Level 3 at least quarterly and reviewed each investment at least annually. During periods of increased market volatility or when the circumstances of a particular investment changes materially the frequency is increased.

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)

(f) Valuation inputs and relationship to fair value (Continued)

A summary of the Trustee's valuation policies and processes for Level 3 investments is set out below:

Level 3 investments managed by external investment managers

Level 3 investments managed by external investment managers are investments held in unlisted trusts in a range of asset classes. As Unlisted Unit Trust's underlying investments are not actively traded in a public market, the valuation provided by the external investment manager is considered unobservable and is therefore classified as a Level 3 investment.

The Trust, as part of its due diligence, prior to the investment being made and on an ongoing basis, will ensure that the valuation policy of the investment and/or external investment manager is reviewed to ensure it incorporates the principles consistent with the applicable accounting standards and industry standards, regulatory requirements and is consistent with the Trust's valuation policy.

To the extent possible, there are obligations on the investment and/or external investment manager to co-operate with any independent valuation commissioned by the Trust. The Trust's internal investment team advises the IC of any circumstances that it considers would warrant any such independent valuation.

The valuation appropriately reflects the underlying external manager's performance fees, venture costs, foreign exchange overlay, tax provisions or other component if that is not otherwise represented in the asset valuation produced by the underlying manager.

The fair value for each type of financial asset, managed by external investment managers, listed in the tables above are determined as follows:

- Interest bearing securities: that are not quoted in an active market or quoted in an active market but are thinly traded, by reference to the latest available price of such securities and consideration of counterparty credit risk.
- Unlisted trusts (where the underlying investments are indirectly held): that are not quoted in an active market, is determined primarily by reference to the latest available redemption price of such units.
- Private equity: consistently with the IPEV Board's *International Private Equity and Venture Capital Valuation Guidelines*.

The process for the adoption of the valuations is communicated to the Trust's custodian either directly by the external fund managers or via the Trust's internal valuations team.

Level 3 investments managed directly by the Trust's internal investment team.

Level 3 investments managed directly by the Trust's internal investment team are investments held in direct property or unlisted trusts in a range of asset classes.

Level 3 investments managed directly by the Trust's internal investment team are independently valued at least annually.

The IC has policies and procedures governing the appointment and rotation of third party valuers. These include an assessment of the qualifications and experience of the valuers prior to appointment and a requirement to rotate valuers for each investment every 3 years. Valuations performed by third party valuers are reviewed by the IC to confirm that an appropriate valuation methodology has been used and that key inputs, assumptions and judgements made by the valuer are appropriate.

The fair value for each type of financial asset, managed by the Trust's internal investment team, listed in the tables above are determined by:

- Listed equities: the last traded price as listed on the relevant securities exchange.
- Property, either directly held or indirectly held via an unlisted trust: in accordance with the *Australia and New Zealand Valuation and Property Standards*, using the capitalisation method or discounted cash flow methods to value properties.
- Infrastructure: on a discounted cash flow basis.
- Interest bearing securities: that are not quoted in an active market or quoted in an active market but are thinly traded, by reference to the latest available price of such securities and consideration of counterparty credit risk.

The Trust's internal investment team also instructs external valuers to have regard to comparable market transactions and/or earnings multiples of comparable publicly traded companies, to ensure that valuations reflect current market conditions and not just the price derived from commonly accepted valuation techniques. The Trust's internal investment team may also procure independent preparation of key inputs into valuations (eg. electricity prices or wind studies).

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(f) Valuation inputs and relationship to fair value (Continued)**

The following tables summarise the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair Value as at 30 June 2021 \$'000	Unobservable Inputs	Range of Inputs - (weighted average)	Relationship of unobservable inputs to Fair Value \$'000
Listed Equity Securities	-	Last available price	- ¹	a change in the share price by +/- 15% would change the value by 0
Interest Bearing Securities	1,146,140	Last available price	- ¹	a change in the price by +/- 8% would change the value by 91,764
Unlisted Trusts - Private Equity (externally managed)	529,350	Unit Price	Diverse ²	a change in the unit price by +/- 16% would change the value by 84,696
Unlisted Trusts - Property (externally managed)	4,491,329	Unit Price	Diverse ²	a change in the unit price by +/- 8% would change the value by 359,306 The unobservable inputs of the underlying assets that impact the unit price of the trust are cap rate, discount rate.
Unlisted Trusts - Property (internally managed)	805,000	Cap rate	4.75%	a change in the cap rate by +/- 25 basis points would change the value by 42,368
		Discount rate	5.88%	a change in the disc rate by +/- 25 basis points would change the value by 15,677
Unlisted Trusts - Infrastructure (externally managed)	3,252,275	Unit Price	Diverse ²	a change in the unit price by +/- 11% would change the value by 301,208 The unobservable inputs of the underlying assets that impact the unit price of the trust are cap rate.
Unlisted Trusts - Infrastructure (internally managed)	827,989	Discount rate	8.70% - 10% (9.35%)	a change in the disc rate by +/-3 basis points would change the value by 4,419
Unlisted Trusts - Interest Bearing Securities (internally managed)	563,357	Discount rate	0.83% -3.34% (2.09%)	a change in the disc rate by +/- 9 basis points would change the value by 393,391
Unlisted Trusts - Other (externally managed)	573,608	Unit Price	Diverse ²	a change in the unit price by +/- 11% would change the value by 63,097

¹ The range of inputs is not disclosed as these securities are categorised in Level 3 because the last available price is not current.

² The range of inputs related to the Unit Price is not disclosed as the number of the unlisted investments results in a wide range of unrelated inputs.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4. FINANCIAL RISK MANAGEMENT (Continued)**(f) Valuation inputs and relationship to fair value (Continued)**

Description	Fair Value as at 30 June 2020 \$'000	Unobservable Inputs	Range of Inputs - (weighted average)	Relationship of unobservable inputs to Fair Value \$'000
Listed Equity Securities	778	Last available price	₋ ³	a change in the share price by +/- 11% would change the value by 86
Interest Bearing Securities	1,813,307	Last available price	₋ ³	a change in the price by +/- 7% would change the value by 126,931
Direct Property	858,484	Cap rate	5.13% - 5.25% (5.19%)	a change in the cap rate by +/- 25 basis points would change the value by 40,666
		Discount rate	6.38% - 6.5% (6.44%)	a change in the disc rate by +/- 25 basis points would change the value by 18,085
Unlisted Trusts - Private Equity (externally managed)	322,898	Unit Price	Diverse ⁴	a change in the unit price by +/- 12% would change the value by 38,748
Unlisted Trusts - Property (externally managed)	4,116,907	Unit Price	Diverse ⁴	a change in the unit price by +/- 9% would change the value by 370,522 The unobservable inputs of the underlying assets that impact the unit price of the trust are cap rate, discount rate.
Unlisted Trusts - Property (internally managed)	776,868	Cap rate	5%	a change in the cap rate by +/- 25 basis points would change the value by 39,500
		Discount rate	6.25%	a change in the disc rate by +/- 25 basis points would change the value by 17,078
Unlisted Trusts - Infrastructure (externally managed)	3,136,372	Unit Price	Diverse ⁴	a change in the unit price by +/- 12% would change the value by 376,365 The unobservable inputs of the underlying assets that impact the unit price of the trust are discount rate.
Unlisted Trusts - Infrastructure (internally managed)	799,101	Discount rate	8.60% - 13% (10.80%)	a change in the disc rate by +/- 39 basis points would change the value by 124,902
Unlisted Trusts - Interest Bearing Securities (internally managed)	492,764	Discount rate	1.13% - 4.42% (2.78%)	a change in the disc rate by +/- 9 basis points would change the value by 24,351
Unlisted Trusts - Other (externally managed)	409,511	Unit Price	Diverse ⁴	a change in the unit price by +/- 12% would change the value by 49,141

³ The range of inputs is not disclosed as these securities are categorised in Level 3 because the last available price is not current.

⁴ The range of inputs related to the Unit Price is not disclosed as the number of the unlisted investments results in a wide range of unrelated inputs.

(g) Environmental, social governance risk

Environmental Social Governance (ESG) presents a broad set of factors which can be either current or emerging risks and which plays an important role in Rest's member preferences, investments and social licence to operate (e.g. brand and reputation).

Climate change is a risk within ESG which includes:

- Rest's governance around climate-related risks and opportunities;
- The actual and potential impacts of climate-related risks and opportunities;
- How the organisation identifies, assesses, and manages climate-related risks; and
- The metrics and targets used to assess and manage relevant climate-related risks. Rest has an objective and a plan to achieve a net zero carbon footprint for the Fund by 2050, which includes reporting outcomes on its climate related progress and actions in line with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations.

As at 30 June 2021, companies that derive more than 10 per cent of their revenue from thermal coal mining represented 0.5 percent of the Trust's equity portfolio.

As of 1 January 2022, Rest will not invest in listed equity companies that derive 10 percent or more of total annual revenues from thermal coal mining, unless the company has a credible net zero by 2050 objective or has signed up to Science-Based Targets. Rest advocates for a 'Just Transition' for Australian communities and those individuals affected by the shift to a lower carbon economy.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5. (a) FINANCIAL INVESTMENTS HELD AT FAIR VALUE

Fair value has been determined as follows:

- (i) Shares in listed companies, units in listed trusts, government securities and other interest bearing securities by reference to market quotations at the reporting date.
- (ii) Unlisted unit trusts by reference to the latest available redemption price of such units.
- (iii) Property and infrastructure is revalued at least annually by reference to an independent valuation, in accordance with the Trustee's policy on revaluations.
- (iv) For the majority of the Trust's derivative financial instruments, quoted market prices are readily available. However, certain derivative financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques (e.g. pricing models).

	30-Jun-21 \$'000	30-Jun-20 \$'000
Cash and Cash Equivalents		
Cash	2,234,768	2,803,216
Margin Accounts	90,156	223,252
Term Deposits	119,963	250,897
	<u>2,444,887</u>	<u>3,277,365</u>
Listed Equity Securities		
Australian Equity Securities	18,360,255	10,713,798
International Equity Securities	18,336,535	14,380,507
	<u>36,696,790</u>	<u>25,094,305</u>
Interest Bearing Securities		
Australian Interest Bearing Securities	2,587,211	4,311,752
International Interest Bearing Securities	1,250,648	2,577,763
	<u>3,837,859</u>	<u>6,889,515</u>
Unlisted Trusts		
Unlisted Trusts - Equities	1,122,800	434,076
Unlisted Trusts - Equity Strategies	1,786,672	554,654
Unlisted Trusts - Private Equities	529,350	322,897
Unlisted Trusts - Interest Bearing	5,006,481	3,732,649
Unlisted Trusts - Property	5,296,329	4,893,775
Unlisted Trusts - Infrastructure	4,080,264	3,935,473
Unlisted Trusts - Absolute Return Strategies	1,565,614	1,015,417
Unlisted Trusts - Other	573,608	409,511
	<u>19,961,118</u>	<u>15,298,453</u>
Derivatives		
Fixed Interest Futures	2,751	13,531
Share Price Index Futures	16,441	49,428
Low Exercise Price Option	133,066	163,341
Forward Foreign Exchange	133,672	608,048
Warrants	522	1,269
	<u>286,452</u>	<u>835,617</u>

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5. (b) FINANCIAL LIABILITIES HELD AT FAIR VALUE

	30-Jun-21 \$'000	30-Jun-20 \$'000
Derivatives		
Fixed Interest Futures	2,487	182
Share Price Index Futures	13,919	30,404
Low Exercise Price Option	83,925	92,440
Forward Foreign Exchange	325,136	163,113
	<u>425,467</u>	<u>286,139</u>
Other investment liabilities		
Repurchase Agreements	-	3,151
Other liabilities	-	3,335
	<u>-</u>	<u>6,486</u>

NOTE 6. NET CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	30-Jun-21 \$'000	30-Jun-20 \$'000
Cash & short term deposits	4,441	34,198
Other interest bearing securities	(54,489)	(378,504)
Australian equities	2,901,007	(1,124,740)
International equities	3,718,207	(474,355)
Property	280,405	9,000
Other (Unlisted Trusts, Derivatives)	1,783,578	(541,150)
	<u>8,633,149</u>	<u>(2,475,551)</u>

NOTE 7. 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. Depending on the Trust's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However, the Trust applies the Investment Entity Exemption available under AASB 10 and therefore does not consolidate its controlled entities. In other cases it may have exposure to such an entity but not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Trust. Such interests include holdings of units in unlisted trusts. The nature and extent of the Trust's interests in structured entities are titled "unlisted unit trusts" and are summarised in note 5.

The Trust has exposure to unconsolidated structured entities through its investments. The Trust typically has no other involvement with the structured entity other than the securities it holds as part of its investments and its maximum exposure to loss is restricted to the carrying value of the investment.

The Trust's risk management policies focus on ensuring compliance with its governing documents and seeks to maximise the returns derived for the level of risk to which the Trust is exposed. The financial risks associated with the investments are referred to throughout note 4.

During the year the Trust did not provide any financial support to unconsolidated structured entities and has no intention of providing financial or other support. The Trust's investment strategy entails investments in other funds on a regular basis and the Trust intends to continue investments in other funds.

Refer to Note 6 for total gains / (losses) incurred on investments in unlisted unit trusts.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business the Trust enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument type, foreign exchange rate, or other variable. The use of derivatives is an essential part of the Trust's investment management. Derivatives are not managed in isolation. They are used for a number of purposes including adjusting asset exposures within the parameters set in the investment strategy and adjusting the duration of fixed interest portfolios. An overview of the risk exposures relating to derivatives is included in note 4.

	Contract/ Notional (net) \$'000	Fair Value	
		Assets \$'000	Liabilities \$'000
30-Jun-21			
Fixed Interest Futures	1,662,122	2,751	2,487
Share Price Index Futures	140,810	16,441	13,919
Low Exercise Price Option	12	133,066	83,925
Forward Foreign Exchange	(184,628)	133,672	325,136
Warrants	28	522	-
	1,618,344	286,452	425,467

	Contract/ Notional (net) \$'000	Fair Value	
		Assets \$'000	Liabilities \$'000
30-Jun-20			
Fixed Interest Futures	2,904,101	13,531	182
Share Price Index Futures	478,636	49,428	30,404
Bank Bill Futures	-	-	-
Low Exercise Price Option	(7)	163,341	92,440
Forward Foreign Exchange	403,253	608,048	163,113
Warrants	37	1,269	-
Credit Default Swap Option	-	-	-
	3,786,020	835,618	286,139

NOTE 9. DEFINED BENEFIT PLAN ACCOUNT

The amount of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the Trust up to 30 June 2021. The amount reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions.

Accrued benefits have been previously valued as part of comprehensive actuarial reviews undertaken at the following dates:

	Last Actuarial Review	Accrued benefit \$	Next Actuarial Review
Accrued benefits - SDA	1 July 2018	14,997,996	1 July 2021 [#]
Accrued benefits - Akzo Nobel	30 June 2020	4,584,000	30 June 2023

[#] Review is underway and not yet complete as at the date of this report.

NOTE 10. GUARANTEED BENEFITS

No guarantees have been made in respect of any part of the liability for accrued benefits.

NOTE 11. FUNDING ARRANGEMENTS

The Trust is predominantly a defined contribution plan providing superannuation benefits for the members of the Retail Employees Superannuation Trust. The Trust's primary purpose is to provide benefits for its members.

The funding policy adopted in respect of the Defined Benefit Plan component is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. As such, in framing employer contribution rates, the Actuary has considered long-term trends in such factors as Trust membership, salary growth and average market value of Trust assets.

NOTE 12. COMMITMENTS

The Trust has outstanding capital commitments in respect of investments in unlisted securities that have not been called upon. The amount of commitments contracted for at the reporting date but not recognised as liabilities is \$3,049,624,772 (2020: \$1,929,956,652).

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 13. NOTE TO CASH FLOW STATEMENT**RECONCILIATION OF OPERATING RESULT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	30-Jun-21 \$'000	30-Jun-20 \$'000
Operating result after income tax	91,438	(84,679)
Adjustments for:		
(Increase) / decrease in unrealised change in fair value of financial instruments	(8,454,623)	2,736,733
Depreciation and impairment	10	41
Increase in insurance	(158,861)	(321,389)
(Increase) / decrease in receivables	(66,547)	51,050
Decrease in payables	(4,682)	(29,682)
Increase / (decrease) in income tax payable	863,376	(104,553)
Allocation to members' accounts	9,154,856	(806,080)
Net Cash Flows from Operating Activities	<u>1,424,967</u>	<u>1,441,441</u>

NOTE 14. INCOME TAX

This note provides an analysis of the Trust's income tax expense and how the tax expense is affected by non-assessable and non-deductible items.

Income Tax Expense

Major components of income tax expense are:

	30-Jun-21 \$'000	30-Jun-20 \$'000
Current income tax		
Current income tax expense	412,865	48,953
Adjustments in respect of current income tax of previous years	10,662	9,240
Deferred income tax		
Increase / (Decrease) in deferred tax	455,995	(292,753)
Income tax expense / (benefit) reported in the income statement	<u>879,522</u>	<u>(234,560)</u>

A reconciliation between income tax expense and the accounting profit before income tax multiplied by the applicable tax rate is as follows:

Results from superannuation activities before income tax expense	<u>10,125,816</u>	<u>(1,125,319)</u>
Income Tax at 15%	1,518,872	(168,798)
Increase in Income Tax Expense due to Permanent and Temporary Differences		
Derecognition of temporary differences	(36,590)	11,336
Exempt pension income	(69,613)	2,851
Net imputation and foreign tax credits	(178,029)	(203,909)
Non Assessable Investment Income	(365,838)	114,654
Expenses not deductible	58	66
Under provisions for prior years	10,662	9,240
Income Tax Expense / (Benefit)	<u>879,522</u>	<u>(234,560)</u>

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 14. INCOME TAX (Continued)

Deferred income tax	30-Jun-21	30-Jun-20
Deferred income at 30 June 2021 relates to the following:	\$'000	\$'000
Deferred income tax liabilities		
Net unrealised Capital Gains on investments subject to CGT	1,068,072	556,964
Investment Income Receivable	-	5
Unrealised Revenue Gains	-	57,816
Gross deferred income tax liabilities	<u>1,068,072</u>	<u>614,785</u>
Deferred income tax assets		
Accrued expenses	9,823	9,831
Unrealised FX losses	28,521	-
Investment Income Receivable (incl deferred tax credits)	13,229	44,450
Gross deferred income tax assets	<u>51,573</u>	<u>54,281</u>

NOTE 15. STOCK LENDING

The Trust has entered into stock lending arrangements with its global custodian, under which legal title to some of the Trust's assets may be transferred to another entity. The risks and benefits of ownership of the assets remain with the Trust. The Trust maintains collateral of at least 105% (2020: 106%) of the value of any scrip lent. The net market value of assets subject to stock lending arrangements at the reporting date, and which are included in the Statement of Financial Position, amounts to \$559,068,000 (2020: \$929,257,000).

NOTE 16. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Other than what has been disclosed elsewhere in this report, no significant events have occurred since balance date which would impact on the financial position of the Trust disclosed in the Statement of Financial Position as at 30 June 2021 or on the results and cash flows of the Trust for the year ended on that date.

NOTE 17. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as the auditor of the Trust and by PwC's related network firms:

	2021	2020
	\$	\$
Amounts received or due and receivable by the external auditor:		
- an audit of the financial statements of the entity	504,151	569,277
- other assurance services - audit of compliance plan	12,310	12,310
- other non-audit services - tax advisory services	1,110,597	996,404
	<u>1,627,058</u>	<u>1,577,991</u>
- non-recoverable GST	68,507	91,356
	<u>1,695,565</u>	<u>1,669,347</u>

It is the Trust's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Trust are important. These assignments are principally tax advice, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Trust's policy to seek competitive tenders for all major consulting projects.

NOTE 18. RELATED PARTIES**Retail Employees Superannuation Pty Limited**

Retail Employees Superannuation Pty Limited is the Trustee of the Trust. The Trustee has an Australian Financial Services Licence with the AFSL Number being 240003 issued 2 February 2004. The Trustee has Registrable Superannuation Entity Trustee Licence Number L0000055 issued 1 October 2004.

Transactions between the Trust and the Trustee during the year were as follows:

The Trust paid the Trustee \$14,665,738 (2020: \$5,136,287). This is on a cost recovery basis for expenses borne by the Trustee on behalf of the Trust. These expenses include Directors fees, trustee liability insurance, director expenses and professional fees. As at 30 June 2021, \$201,681 (2020: \$103,033) was receivable from the Trustee and is included in receivables in the statement of financial position.

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18. RELATED PARTIES (Continued)

The following persons held the position of Director of Retail Employees Superannuation Pty Limited during part or all of the year.

Mr Ian John Blandthorn (resigned on 29 September 2020)
 Ms Helen Elizabeth Cooney (appointed 30 September 2020)
 Mr John Vincent Edstein (resigned on 31 December 2020)
 Ms Sally Louise Evans
 Ms Julia Fox
 Mr Kenneth Stuart Marshman
 Ms Catriona May Noble (appointed 1 January 2021)
 Mr Steven John Priestley
 Mr Vaughn Nigel Richtor
 Mr Michael Ward Tehan
 Dr Adam Neil Walk

The amount paid/payable to the Trustee in respect of compensation to Directors is set out in the table below:

	2021	2020
	\$'000	\$'000
Short-Term Benefits	990	1,015
Post Employment	94	96
Other Long Term Benefits	-	-
Termination Benefits	-	-
Share Based Payment	-	-
	<u>1,084</u>	<u>1,111</u>

The Trustee paid premiums in respect of a contract to indemnify the Directors and Officers of the Trustee, of Retail Employees Superannuation Trust and its subsidiaries against claims for which they may be liable. The total amount of insurance premiums paid for the year ended 30 June 2021 was \$1,139,105 (2020: \$906,441).

Compensation of key Rest Management Personnel

Key management personnel include the Directors, and the following Responsible Persons and Officers:

2021	2020
Mr Brendan Daly	Mr Brendan Casey (resigned 1 November 2019)
Ms Vicki Doyle	Mr Brendan Daly
Mr Trevor Evans	Ms Vicki Doyle
Mr Jeremy Hubbard	Mr Trevor Evans
Ms Gemma Kyle	Mr Jeremy Hubbard
Mr Andrew Lill (appointed 17 August 2020)	Ms Gemma Kyle
Mr John Nolan (resigned 1 October 2020)	Mr John Nolan
Mr Tyrone O'Neill	Mr Tyrone O'Neill
Ms Deborah Potts	Ms Deborah Potts
Mr Kulwant Singh-Pangly (appointed 7 June 2021)	

Mr John Nolan resigned on 1 October 2020 as key management personnel in his role as a non-voting member of the Investment Committee. His remuneration relating to this role is included in the table below. He also received \$42,000 (2020: \$126,000) including superannuation in relation to consulting services provided to the Trust.

The Directors are compensated by the Trustee Company as detailed above. The compensation payable to key management personnel of the Trust is set out in the table below:

	2021	2020
	\$'000	\$'000
Short-Term Benefits	4,507	3,602
Post Employment	198	163
Other Long Term Benefits	65	37
Termination Benefits	-	242
Share Based Payment	-	-
	<u>4,770</u>	<u>4,044</u>

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18. RELATED PARTIES (Continued)**Super Investment Management Pty Limited (SIM)**

SIM is a wholly owned subsidiary of Retail Employees Superannuation Trust. The following persons held the position of Director of SIM during part or all of the year.

Mr Ian John Blandthorn (resigned 29 September 2020)
 Mr John Vincent Edstein (resigned 31 December 2020)
 Mr Kenneth Stuart Marshman
 Mr Steven John Priestley
 Mr Michael Ward Tehan (appointed 30 September 2020)
 Dr Adam Neil Walk

Retail Employees Superannuation Trust pays all the operating expenses of SIM. These expenses amounted to \$17,416,444 (2020: \$21,944,805). As at 30 June 2021, \$14,116,900 (2020: \$13,054,226) was payable to SIM and is included in sundry creditors in the statement of financial position.

REST Nominees No.1 Pty Ltd and REST Nominees No.3 Pty Ltd

The following persons held in the position of Director of REST Nominees No.1 Pty Ltd and REST Nominees No.3 Pty Ltd as Trustee of the Special Purpose Vehicle Trusts during part or all of the year. The table below details the related parties with which these persons held the position of Director during part or all of the year.

Mr Simon Esposito (appointed 17 August 2020)
 Mr William Grant (resigned 17 August 2020)
 Mr Grant Hallock (appointed 17 August 2020)
 Mr Joseph Marot (appointed 17 August 2020, resigned 30 June 2021)
 Mr Neil Matthews (resigned 17 August 2020)
 Mr George Zielinski (resigned 17 August 2020)

The Directors did not receive any compensation in relation to their duties as Directors of REST Nominees No.1 Pty Ltd and REST Nominees No.3 Pty Ltd.

Name of Entity	Fair Value of Investments		Movement in Fair Value		Net Movement Of Units Invested		Distributions Paid / Payable		Interest Held	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 %	2020 %
REST AMPCI Debt Holding Trust	143,251	162,796	(13,709)	10,468	(5,836)	(42,536)	-	-	100%	100%
REST International Infrastructure Investments Holding Trust	1,496,829	1,277,066	(20,571)	(7,207)	240,334	830,499	-	3,213	100%	100%
REST Direct Property Holding Trust	1,452,436	902,565	(94,752)	5,535	644,623	3,238	-	2,503	100%	100%
REST US Property Investments Holding Trust	902,657	855,127	(57,048)	(34,719)	104,577	104,311	-	-	100%	100%
REST Finance Trust	563,357	492,764	20,593	(17,534)	50,000	9,792	207	-	100%	100%
REST Endeavour Holding Trust	563,730	514,603	(2,225)	43,700	51,352	(54,318)	7,074	2,503	100%	100%
REST Private Equity Trust	529,350	322,897	114,989	(11,358)	91,464	40,742	-	-	100%	100%
REST Alternative Investments Holding Trust	-	-	5,151	6,908	(5,151)	(1,225,343)	-	-	100%	100%
REST Equities Strategies Trust	1,786,672	554,654	171,060	9,879	1,060,958	(10,958)	121,574	-	100%	100%
REST Credit Strategies Holding Trust	2,048,168	2,099,169	10,171	(144,476)	(61,172)	(698,911)	32,055	138,543	100%	100%

RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18. RELATED PARTIES (Continued)**REST Infrastructure Pty Ltd**

REST Infrastructure Pty Ltd is a wholly owned subsidiary of Retail Employees Superannuation Trust. The table below details the related parties with which the following persons held in the position of Director during part or all of the year.

Mr Simon Esposito (appointed 17 August 2020)
 Mr William Grant (resigned 17 August 2020)
 Mr Grant Hallock (appointed 17 August 2020)
 Mr Joseph Marot (resigned 30 June 2021)
 Mr George Zielinski (resigned 17 August 2020)

The Directors did not receive any compensation in relation to their duties as Directors of REST Infrastructure Pty Ltd.

Name of Entity	Fair Value of Investments		Movement in Fair Value		Fully Paid Franked Dividend to Rest		Repaid interest free loan to Rest		REST interest free loan	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
REST Infrastructure Pty Ltd	586,160	512,980	73,180	(22,420)	-	9,559	-	122,284	-	9,559

REST AMPCI Equity Holdings Pty Ltd

REST AMPCI Equity Holdings Pty Ltd is a wholly owned subsidiary of Retail Employees Superannuation Trust. The table below details the related parties with which the following persons held in the position of Director during part or all of the year.

Mr Simon Esposito (appointed 17 August 2020)
 Mr Grant Hallock
 Mr Joseph Marot (resigned 30 June 2021)

The Directors did not receive any compensation in relation to their duties as Directors of REST AMPCI Equity Holdings Pty Ltd.

Name of Entity	Fair Value of Investments		Movement in Fair Value		Equity		Dividends Paid / Payable		Interest Held	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 %	2020 %
REST AMPCI Equity Holdings Pty Ltd	320,218	305,816	14,402	32,350	-	-	-	-	100%	100%

Sponsoring Organisations

The consolidated version of the trust deed expresses the following organisations as sponsors:

Shop Distributive and Allied Employees Association (SDA)
 National Retail Association Limited (NRA)
 Australian Retailers Association (ARA)

The Trust paid the SDA \$nil (2020: \$243 in relation to attendance at a pink ribbon charity event where all proceeds went to the charity).

As part of the Trust's marketing and promotion activity, it invests in sponsorship of events and promotions run by its sponsors. All proposed sponsorships are subject to a business case assessment to ensure that they deliver effective benefits to the Trust that outweigh the cost of the arrangement through growth in employer and fund members, strengthening the Rest brand and raising awareness.

Payment to Sponsors

	2021 \$	2020 \$
ARA	47,300	-
NRA	16,500	8,360
	<u>63,800</u>	<u>8,360</u>

**RETAIL EMPLOYEES SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTE 19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

During the period, Rest responded to notices and requests for information from regulators as part of both industry and Rest specific reviews and inquiries. It is possible that some of these reviews may result in litigation, penalties and/or remediation.

Contingent liabilities exist in relation to actual and potential claims and proceedings, including the matter referred to below.

An assessment of the likelihood and amount of cost to the Trust is made on a case-by-case basis for the purpose of the financial statements. No provisions have been raised for current matters as there is no present obligation and the likelihood of any financial liability is highly uncertain or cannot be reliably measured or both. As at the date of these accounts, no fines or penalties have been imposed.

Apart from the contingent liabilities referred to above, the Trust had no other contingent liabilities as at 30 June 2021 and no further contingent liabilities of a material amount have since come to the knowledge of the Directors of the Trustee.

ASIC litigation

The Australian Securities and Investments Commission (ASIC) commenced civil penalty proceedings in the Federal Court against the Trustee in March 2021. ASIC alleges the Trustee made false or misleading representations between 2 March 2015 to 2 May 2018 about the ability of members of the Retail Employees Superannuation Trust (the Fund) to transfer their superannuation out of the Fund.

ASIC is seeking declarations, pecuniary penalties, and other orders against Rest.

Rest denies that it made false or misleading statements to members and is defending the proceedings. It is currently not possible to determine the ultimate impact of these proceedings on the Fund.

NOTE 20. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration is set out on page 7.