

# **ARACON SUPERANNUATION FUND**

**ABN 40 586 548 205**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

**ARACON SUPERANNUATION FUND**  
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**ARACON SUPERANNUATION FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	Note	2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Cash</b>			
Cash and cash equivalents	10(a)	33,989	10,309
<b>Receivables</b>			
Distributions and dividends receivable		3,537	3,567
Due from brokers		-	91
Other receivables		407	22
<b>Investments</b>			
Investments held at fair market value	15	507,157	343,949
<b>Other assets</b>			
Current tax assets	9	951	79
Deferred tax assets	9	-	579
<b>Total Assets</b>		<b>546,041</b>	<b>358,596</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses		2,251	1,095
Due to brokers		927	-
Deferred tax liabilities	9	2,117	-
<b>Total Liabilities (excluding member benefits)</b>		<b>5,295</b>	<b>1,095</b>
<b>Net Assets available for member benefits</b>		<b>540,746</b>	<b>357,501</b>
<b>Member benefits</b>			
Defined contribution member liabilities	6(a)	539,378	356,546
<b>Total member liabilities</b>		<b>539,378</b>	<b>356,546</b>
<b>Total net assets</b>		<b>1,368</b>	<b>955</b>
<b>Equity</b>			
Operational Risk Reserve	7(a)	839	802
General reserve	7(b)	176	153
Unallocated surplus	7(c)	353	-
<b>Total Equity</b>		<b>1,368</b>	<b>955</b>

The Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.

**ARACON SUPERANNUATION FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$'000	2020 \$'000
<b>Superannuation activities</b>			
<b>Revenue</b>			
Changes in fair value of investments	5	55,825	(10,139)
Distributions and Dividends		9,744	5,903
Interest		316	40
Other operating income		1,268	1,259
<b>Total revenue/(loss)</b>		<b>67,153</b>	<b>(2,937)</b>
<b>Expenses</b>			
Investment expense		(645)	(141)
General administration and operating expenses	4	(1,488)	(757)
<b>Total expenses</b>		<b>(2,133)</b>	<b>(898)</b>
<b>Operating Result before income tax expense</b>		<b>65,020</b>	<b>(3,835)</b>
Income tax (expense)/benefit	8	(1,099)	789
<b>Operating Result after income tax expense</b>		<b>63,921</b>	<b>(3,046)</b>
Net benefits allocated to defined contribution member accounts		63,508	(3,207)
<b>Operating Result</b>		<b>413</b>	<b>161</b>

The Income Statement is to be read in conjunction with the accompanying notes to the financial statements.

**ARACON SUPERANNUATION FUND**  
**STATEMENT OF CHANGES IN MEMBER BENEFITS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	2021	2020
	\$'000	\$'000
<b>Opening balance of Member Benefits as at 1 July</b>	<b>356,546</b>	<b>333,818</b>
Contributions:		
- Employer contributions	6,172	3,108
- Member contributions	17,348	8,141
- Government contributions	21	18
Transfers from other superannuation entities	128,194	50,957
Income tax on contributions	8(c) (926)	(466)
<b>Net after tax contributions</b>	<b>150,809</b>	<b>61,758</b>
Benefits to members	(31,374)	(35,750)
Transfers to other superannuation entities	-	-
Insurance premiums charged to members' accounts	(111)	(72)
Net benefits allocated, comprising:		
- Net investment income/(loss)	63,477	(4,119)
- Net administration fees	31	911
<b>Closing balance of Member Benefits as at 30 June</b>	<b>6 539,378</b>	<b>356,546</b>

The Statement of Changes in Members Benefits is to be read in conjunction with the accompanying notes to the financial statements.

**ARACON SUPERANNUATION FUND**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	Operational risk reserve (\$'000)	General reserve (\$'000)	Unallocated surplus (\$'000)	Total equity/ reserves (\$'000)
<b>Opening balance as at 1 July 2020</b>	802	153	-	955
Net transfers to/(from) reserves	37	(37)	-	-
Operating result	-	60	353	413
<b>Closing balance as at 30 June 2021</b>	<b>839</b>	<b>176</b>	<b>353</b>	<b>1,368</b>

	Operational risk reserve (\$'000)	General reserve (\$'000)	Unallocated surplus (\$'000)	Total equity/ reserves (\$'000)
<b>Opening balance as at 1 July 2019</b>	794	-	-	794
Net transfers to/(from) reserves	8	(8)	-	-
Operating result	-	161	-	161
<b>Closing balance as at 30 June 2020</b>	<b>802</b>	<b>153</b>	<b>-</b>	<b>955</b>

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

**ARACON SUPERANNUATION FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

	2021	2020
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Interest received	316	40
Distributions and dividend received	9,773	786
Other income received	1,268	1,259
General administration and operating expenses paid	(1,487)	(739)
Insurance premiums paid	(113)	(70)
Income tax (paid)	(580)	(338)
<b>Net cash inflows from operating activities</b>	<b>9,177</b>	<b>938</b>
	10(b)	
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	125,418	73,615
Purchase of investments	(231,781)	(97,936)
<b>Net cash (outflows) from investing activities</b>	<b>(106,363)</b>	<b>(24,321)</b>
<b>Cash flows from financing activities</b>		
Employer contributions	7,261	3,657
Member contributions	17,370	8,141
Government co-contributions	-	18
Benefits paid to members	(30,870)	(35,452)
Net transfers from other funds	128,194	50,957
Income tax (paid) on contributions	(1,089)	(549)
<b>Net cash inflows from financing activities</b>	<b>120,866</b>	<b>26,772</b>
<b>Net increase in cash held</b>	<b>23,680</b>	<b>3,389</b>
Cash at the beginning of the financial year	10,309	6,920
<b>Cash at the end of the financial year</b>	<b>33,989</b>	<b>10,309</b>
	10(a)	

The Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**1. GENERAL INFORMATION**

Aracon Superannuation Fund (the 'Fund') is a defined contribution superannuation fund domiciled in Australia. The purpose of the Fund is to provide retirement benefits to its members. The Fund is constituted by a Trust Deed dated 24 December 2004 as amended.

In accordance with amendments to the Superannuation Industry (Supervision) Act 1993, the Fund is registered with the Australian Prudential Regulation Authority ("APRA") as a Registrable Superannuation Entity ("RSE") (R1001020).

The Trustee of the Aracon Superannuation Fund was Aracon Superannuation Pty Ltd (ABN 13 133 547 396), a wholly owned subsidiary of Xplore Wealth Limited (XPL), an ASX Listed Financial Services Company until 2 March 2021 when it retired and appointed Equity Trustees Superannuation Limited as Trustee of the Fund.

From 2 March 2021 until the end of the reporting period, the Trustee of the Fund was Equity Trustees Superannuation Limited (the "Trustee") (ABN 50 055 641 757, AFSL 229757, RSE L0001458), domiciled in Australia and registered with APRA. The address of the Fund's registered office is Level 1, 575 Bourke Street, Melbourne, Victoria 3000.

The Fund has six (6) Sub Plans as at 30 June 2021; namely the ARA Retirement Fund Sub Plan, the Xplore Super and Pension Sub Plan; the FairVine Super Sub Plan, the Cashel Super and Pension Sub Plan, the Oracle Superannuation and Pension Sub Plan and the Elevate Super Sub Plan.

The ARA Retirement Fund Sub Plan's assets are invested in the ARA Investment Fund ("ARAIF"). The ARAIF may invest into equities, property, interest bearing and international securities that may be listed or unlisted. The Trustee has determined that this type of investment is appropriate for the Fund and is in accordance with the Fund's published investment strategy. The Oracle Superannuation Plan, Xplore Super and Pension Sub Plan and Cashel Super and Pension Sub Plan investments are member adviser driven and selected from the Fund Approved Product List.

The FairVine Super Sub Plan and Elevate Super Sub Plan members select their investment options detailed in the PDS.

The Trustee receives regular reports from the Fund's Investment Managers and Asset Consultants regarding the investments within the Sub Plans to ensure the proper implementation of its investment strategy.

The Administrator of the Fund is DIY Master Pty Ltd (ABN 41 123 035 245) located at Suite 4G, 109 Upton Street Bundall QLD 4217.

The Custodian of the Oracle Superannuation Plan, Xplore Super and Pension, Cashel Super and Pension Sub Plan, the FairVine Super and Elevate Super Sub Plans is JP Morgan Chase Bank, National Association (Sydney Branch) (ABN 43 074 112 011). The units in the ARA Investment Fund are held directly in the name of the Trustee.

The Asset Consultant to the FairVine Super and Elevate Super Sub Plans of the Fund is Atchison Consultants (ABN 58 097 703 047).



**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**1. GENERAL INFORMATION (CONTINUED)**

The Promoters of the Sub Plans are:

<b>Sub-plan</b>	<b>Promoter</b>
ARA Retirement Fund Sub Plan	ARA Consultants Limited (ABN 78 102 304 692)
FairVine Super Sub Plan	Human Financial Pty Ltd (ABN 14 615 610 305)
Oracle Superannuation Plan Sub Plan	Margaret Street Promoter Services Pty Ltd (ABN 23 153 446 210)
Xplore Super and Pension Sub Plan	Margaret Street Promoter Services Pty Ltd (ABN 23 153 446 210)
Elevate Super Sub Plan	AtlasTrend Pty Ltd (ABN 83 605 565 491)
Cashel Super and Pension Sub Plan	Margaret Street Promoter Services Pty Ltd (ABN 23 153 446 210)

**2. BASIS OF PREPARATION**

**(a) Statement of Compliance**

The Financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Interpretations, the Superannuation Industry (Supervision) Act 1993 and provisions of the Trust Deed.

The Financial statements were authorised and issued by the board and directors of Equity Trustees Superannuation Limited on 27 September 2021. For the purposes of preparing the financial statements, the Fund is a for-profit entity.

**(b) Use of Estimates and Judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities.

Estimates are 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 Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or other unquoted financial instruments, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models or market prices) are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to note 15 for details.

Particular consideration has been given in the preparation of these Financial Statements, to areas that may be impacted by COVID-19. Refer to note 19.

**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**2. BASIS OF PREPARATION (CONTINUED)**

**(c) New Standards and Interpretations adopted during the year**

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

**(d) Accounting Standards and Interpretations issued, but not yet effective**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2021 and the comparative information presented in these financial statements for the year ended 30 June 2020.

**(a) Cash and cash equivalents**

Cash comprises cash on hand and on demand deposits.

Cash equivalents are short term, highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(b) Financial Instruments**

**(i) Classification**

The Fund's investments are classified at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification, however, the Fund presently is not directly exposed to or involved in the use of derivative financial instruments. However, some of the underlying investments may utilise derivative financial instruments to hedge or partially hedge specific exposures. The Fund does not enter into, hold or issue derivative financial instruments for trading purposes. Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold. These are investments in market quoted investments, unlisted unit trusts, equity securities and commercial paper.

These investments are managed and their performance is evaluated on a fair value basis in accordance with the Fund's investment strategy.

**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) Financial Instruments (continued)**

*(ii) Recognition/de-recognition*

Financial assets and financial liabilities are recognised on the date the Fund becomes a party to the contract relating to the asset. Financial assets are recognised using the quoted price at the trade date. From this date, any gains and losses arising from changes in fair value are recorded.

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

*(iii) Measurement*

At initial recognition, the Fund measures a financial asset or liability at fair value. Transaction costs are expensed in the income statement.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss 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.

The fair values of underlying investments are net of any distributions.

For further details on how the fair values of financial instruments are determined refer to note 15.

*(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability at the same time.

**(c) Accounts Payable**

Accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services and are recognised at their nominal value which is equivalent to fair value. These amounts are unsecured and are usually paid within 60 days of recognition.

**(d) Benefits Paid/Payable**

Benefits paid/payable are valued at the amounts due to members at reporting date. Benefits paid/payable comprise pensions accrued at balance date and lump sum benefits of members who are due a benefit, but had not been paid at the reporting date.

**(e) Revenue Recognition**

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised to the extent in which it is probable that economic benefits will flow to the Fund and the amount of revenue can be reliably measured.

The following recognition criteria relates to the different items of revenue the Fund receives:

**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Revenue Recognition (continued)**

(i) Interest revenue

Interest income is recognised in the Income Statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(ii) Dividend income

Dividends recognised on the date the shares are quoted ex-dividend and if not received at reporting date, are reflected in the Statement of Financial Position as a receivable at fair value.

Dividend income is recognised gross of withholding tax in the period in which the Fund's right to receive payment is established.

(iii) Distributions from investments

Distributions are recognised as at the date the unit value is quoted ex-distribution and if not received at reporting date, are reflected in the Statement of Financial Position as a receivable at fair value.

(iv) Movement in fair value of investments

Changes in the fair value of investments are recognised as income/(losses) and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

(v) Rebate Revenue

Rebate revenue is recognised when the Fund has established it has a right to receive the rebate.

**(f) Contributions and transfers from other funds**

Contributions and transfers in are recognised when the control and the benefits from the revenue have transferred to the Fund and are recognised gross of any taxes.

**(g) Income Tax**

Income tax as a result of operations for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in members' funds, in which case it is recognised directly in the Statement of Changes in Member Benefits.

*Current tax*

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

**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**  
**(g) Income Tax (continued)**

*Deferred tax*

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

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

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

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

Income tax has been provided in the current year at the rate of 15%, as it is the expectation of the Trustee that the Fund will be treated as a complying superannuation fund. If the Fund is subsequently deemed to be a non-complying fund for the current year, then income tax will be payable at a rate of 45% on the Fund's taxable income.

In line with the expectation to be treated as a compliant superannuation fund, financial assets held for less than 12 months are provided to be taxed at the Fund's rate of 15%. For financial assets held for more than 12 months, the Fund 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.

**(h) Goods and Services Tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC), except

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to the ATO, are classified as operating cash flows.

**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Receivables**

Receivables are carried at nominal amounts which approximate fair value. Nominal amounts refer to the actual amounts reasonably expected to be received or paid.

Collectability of receivables is reviewed regularly. Debts which are known to be uncollectable are written off by reducing the carrying amount.

**(j) Amounts due from/to brokers**

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on the trade date. The amount disclosed on the financial statements is the net amount due from/to brokers. A provision for impairment is made when the Fund does not expect to collect all amounts due from the relevant broker.

**(k) Functional and Presentation Currency**

The financial statements are presented in Australian dollars which is the functional currency of the Fund and have been rounded to the nearest thousand unless otherwise stated.

All foreign currency transactions during the year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in the income statement in the period in which they arise.

**(l) Comparative Amounts**

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, some line items in the notes to the financial statements have been amended. Comparative figures have been adjusted to conform to the current year's presentation.

**4. GENERAL ADMINISTRATION AND OPERATING EXPENSES**

	Note	2021 \$'000	2020 \$'000
Administration fees		345	135
Adviser fees		704	203
Trustee fees	13(d)	353	344
APRA levies		14	-
Audit fees		29	31
Tax agent/consultant fees		5	4
Other operating expenses		38	40
		<b>1,488</b>	<b>757</b>

**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**5. CHANGES IN FAIR VALUE OF INVESTMENTS**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Investments held at reporting date:</b>		
Shares and other securities in listed companies	17,523	387
Listed unit trusts	879	(557)
Unlisted unit trusts	35,078	(8,859)
Other interest bearing financial instruments	306	(52)
	<b>53,786</b>	<b>(9,081)</b>
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Investments realised during the reporting period:</b>		
Shares and other securities in listed companies	474	(834)
Listed unit trusts	8	(1)
Unlisted unit trusts	1,183	(227)
Other interest-bearing financial instruments	374	4
	<b>2,039</b>	<b>(1,058)</b>
<b>Total changes in fair value</b>	<b>55,825</b>	<b>(10,139)</b>

**6. MEMBER LIABILITIES**

**(a) Recognition and measurement of member liabilities**

The entitlements of members to benefit payments are recognised as liabilities. They are measured at the amount of the accrued benefits as at the reporting date, being the benefits that the Fund is presently obliged to transfer to members or their beneficiaries in the future as a result of the membership up to the end of the reporting period.

**(b) Defined Contribution Member Liabilities**

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

Defined contribution members bear the investment risk relating to the underlying assets of the Fund. The Fund's management of the investment market risks is as disclosed within note 14.

As at 30 June 2021, the net assets attributable to defined contribution members have been substantially allocated. Unallocated amounts are shown in the statement of financial position as "Unallocated surplus" within reserves.

Defined contribution members' liabilities are fully vested as at 30 June 2021 and 30 June 2020.

**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**7. RESERVES AND UNALLOCATED SURPLUS**

The Trustee maintains an Operational Risk Reserve (ORR) and Unallocated surplus

**(a) Operational risk reserve (ORR)**

Under APRA Prudential Standard SPS114: Operational Risk Financial Requirement (ORFR), the Trustee determined it would maintain an ORFR Target Amount of 0.25% of the Fund's net assets wholly within the ORR.

The ORR will continue to be supplemented by the bank interest and investment returns earned on the operating account or the investments of the ORR. The Trustee reviews the funding methodology of the ORR if it falls below 90% of the Target Amount. The level and appropriateness of the ORR is reviewed as part of the annual review of the Risk Management Strategy.

At 30 June 2021, the ORR represented 0.16% (2020: 0.22%) of the Fund's Net Asset Value. As such remediation plans have been put in place and the operational risk trustee capital will be replenished by 31<sup>st</sup> October 2021.

The ORR is part of the financial management of the Fund and is operated in accordance with the ORFR Strategy. The ORR may be used in certain circumstances to address operational risk events or claims against the Fund arising from operational risk.

The amounts held as at 30 June 2021 were:

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
ORR maintained within the Aracon Superannuation Fund	839	802
ORR maintained by Aracon Superannuation Pty Ltd (Trustee Capital) for the members of the ARA Retirement Fund Sub Plan	-	251
ORR maintained by Aracon Superannuation Pty Ltd (Trustee Capital) for the members of the Xplore Super and Pension Sub Plan	-	150
<b>Total ORR Reserve</b>	<b>839</b>	<b>1,203</b>

**(b) General reserve**

The general reserve may be used to cover operating expenses of the Fund or any Trustee expenses related to the Fund in line with the Trustee's Reserve Policy.

**(c) Unallocated Surplus**

Unallocated surplus includes unallocated earnings or losses between the date on which the unit prices are determined and the reporting date.

It also includes any tax differences between the fund level and members accounts.



**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**8. INCOME TAX EXPENSE**

**(a) Recognised in the Income Statement:**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current tax expense</b>		
Current year	(503)	(519)
Adjustment for prior periods	64	86
<b>Deferred tax expense</b>		
Movement in temporary differences	1,538	(356)
<b>Income tax expense/(benefit) in Income Statement</b>	<b>1,099</b>	<b>(789)</b>

**(b) Numerical reconciliation between tax expense and operating result before income tax:**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating result before income tax expense	<b>65,020</b>	<b>(3,835)</b>
Tax at the complying superannuation fund tax rate of 15% (2020 – 15%)	9,753	(575)
<i>(Decrease)/increase in income tax expense due to:</i>		
Taxable Capital Gains Adjustment	(5,601)	1,051
Imputation credits & foreign income tax offsets	(2,466)	(735)
Non-deductible expenses	157	67
Other non-assessable income	(2)	(198)
Exempt current pension income	(806)	(485)
Adjustments for current tax of prior periods	64	86
<b>Income tax expense/(benefit)</b>	<b>1,099</b>	<b>(789)</b>

**(c) Recognised in the Statement of Changes in Member Benefits:**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Contributions and transfers in recognised in the Statement of Changes in Member Benefits</b>	<b>151,735</b>	<b>62,224</b>
Tax at the complying superannuation fund tax rate of 15% (2020 – 15%)	22,760	9,334
<i>(Decrease)/increase in income tax expense due to:</i>		
Member contributions	(2,605)	(1,224)
Transfers from other superannuation entities	(19,229)	(7,644)
Income tax on contributions	<b>926</b>	<b>466</b>

**ARACON SUPERANNUATION FUND**  
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**9. TAX ASSETS AND LIABILITIES**

**Current tax assets and liabilities**

The current tax refundable for the Fund of \$950,762 (2020: \$78,608) represents the amount of income taxes refundable/(payable) in respect of current and prior financial periods.

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets/(Liabilities)</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax assets</i>		
Net capital losses on investments	-	554
Other payables	-	25
<b>Total deferred tax assets</b>	<b>-</b>	<b>579</b>
<i>Deferred tax liabilities</i>		
Net capital gains on investments	(2,117)	-
<b>Total deferred tax liabilities</b>	<b>(2,117)</b>	<b>-</b>
<b>Net deferred tax (liabilities)/assets</b>	<b>(2,117)</b>	<b>579</b>

**Movement in deferred tax assets and liabilities during the year**

	<b>Balance 1 July 2020</b>	<b>Recognised in Income Statement</b>	<b>Balance 30 June 2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax assets</b>			
Net capital losses on investments	554	(554)	-
Other payables	25	(25)	-
	<b>579</b>	<b>(579)</b>	<b>-</b>
<b>Deferred tax liabilities</b>			
Net capital gains on investments	-	(2,117)	(2,117)
	<b>-</b>	<b>(2,117)</b>	<b>(2,117)</b>

**ARACON SUPERANNUATION FUND**  
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**9. TAX ASSETS AND LIABILITIES (CONTINUED)**

Movement in deferred tax assets and liabilities during the year (continued)

	Balance 1 July 2019	Recognised in Income Statement	Balance 30 June 2020
	\$'000	\$'000	\$'000
<b>Deferred tax assets</b>			
Net capital losses on investments	235	319	554
Other payables	-	25	25
	<b>235</b>	<b>344</b>	<b>579</b>
<b>Deferred tax liabilities</b>			
Net capital gains on investments	(12)	12	-
	<b>(12)</b>	<b>12</b>	<b>-</b>

**10. CASH FLOWS RECONCILIATION**

**(a) Reconciliation of cash and cash equivalents**

	2021 \$'000	2020 \$'000
Cash at bank	33,989	10,309
Total cash and cash equivalents	<b>33,989</b>	<b>10,309</b>

**(b) Reconciliation of cash flows from operating activities**

	2021 \$'000	2020 \$'000
Profit after income tax	413	161
<b>Adjustments for:</b>		
(Increase)/decrease in assets measured at fair value	(55,825)	10,139
Insurance premiums paid	(113)	(70)
Decrease/(increase) in receivables	29	(3,573)
Increase in payables	1,849	445
(Decrease) in income tax payable	(1,790)	(637)
Allocation to members' accounts	63,093	(3,977)
Reinvestment of investment income	(1,175)	(1,550)
Increase in net deferred tax liabilities	2,696	-
<b>Net cash outflows from operating activities</b>	<b>9,177</b>	<b>938</b>

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**11. COMMITMENTS**

There are no commitments the Trustee is aware of as of 30 June 2021 (2020: Nil).

**12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There are no outstanding contingent assets or liabilities as at 30 June 2021 (2020: Nil).

**13. RELATED PARTY DISCLOSURES**

**(a) Trustee**

The Trustee of the Fund is Equity Trustees Superannuation Limited (ABN 50 055 641 757, RSE Licensee L0001458). On 2 March 2021, Aracon Superannuation Pty Ltd retired as Trustee of the Aracon Superannuation Fund and appointed Equity Trustees Superannuation Limited.

**(b) Directors**

Key management personnel include persons who were directors of the appointed Trustee at any time during the reporting period as follows.

<b>Name</b>	<b>Title</b>	<b>Appointed</b>
Mr Anthony Jude Lally	Non-Executive Director and Chairman	2 March 2021
Mr Michael O'Brien	Managing Director and Executive Director	2 March 2021
Mr Ellis Varejes	Non-Executive Director	2 March 2021
Mr Mark Blair	Executive Director	2 March 2021
Ms Susan Granville Everingham	Non-Executive Director	2 March 2021
Mr Paul Douglas Rogan	Non-Executive Director	2 March 2021
Mr Jezy (George) Zielinski	Non-Executive Director	2 March 2021
		<b>Resigned</b>
Mr Geoffrey K M Peck	Non-Executive Director	2 March 2021
Mr Alan W Hayden	Non-Executive Director	2 March 2021
Ms Christiane L Cameron	Non-Executive Director	2 March 2021

None of the above directors of the Trustee are members of the Fund at the reporting date.

**(c) Other key management personnel**

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the reporting period.

**ARACON SUPERANNUATION FUND**  
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**13. RELATED PARTY DISCLOSURES (CONTINUED)**

**(d) Remuneration of the Trustee**

There have been no transactions between Equity Trustees Superannuation Limited and the Fund other than the trustee fees disclosed in the Income Statement and the notes below.

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Trustee Fees to Equity Trustees Superannuation Limited	122	-
Trustee Fees to Aracon Superannuation Pty Ltd	231	344
	<b>353</b>	<b>344</b>

As at 30 June 2021, \$35,432 (30 June 2020: \$28,079) was payable to the Trustee and is included in the statement of financial position.

In addition, Trustee fees of \$44,920 were paid to Equity Trustees Superannuation Limited outside the Fund by the fund promoters (as per minimum fee agreement).

The directors of the Trustee do not receive remuneration directly from the Fund.

**(e) Expenses paid by and to be reimbursed to the Trustee**

The following expenses were paid by and to be reimbursed to the Trustee by the Fund during the period.

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
External audit fees – RMF & Compliance	3	-
Internal audit fees	3	-
Regulatory fees – ASIC & AFCA	14	-
	<b>20</b>	<b>-</b>

**14. FINANCIAL RISK MANAGEMENT**

**(a) Financial instruments management**

The investments of the Fund (other than cash held for meeting daily administrative and benefit expenses), are managed on behalf of the Trustee by specialist fund managers in accordance with the investment strategy to achieve the Fund's investment objectives.

The Trustee has engaged Atchison Consultants (ABN 58 097 703 047), an asset consultant, to monitor and provide regular reports on the FairVine Super and Elevate Super Sub Plans of the Fund's investments to the Trustee. The Trustee may seek information from the manager of each collective investment (and also may seek independent advice from other qualified persons) so as to determine the nature and extent of any risks, and the expected returns, associated with each investment prior to determining its suitability as an investment for the Fund.

**ARACON SUPERANNUATION FUND**  
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**14. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**a) Financial instruments management (continued)**

JP Morgan Chase Bank, National Association (Sydney Branch) (ABN 43 074 112 011) acts as Custodian of the Oracle Superannuation Plan, Xplore Super and Pension, the FairVine Super and Elevate Super Sub Plans of the Fund and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

The Fund's financial assets and liabilities adopted in the Statement of Financial Position are carried at their fair value.

**(b) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 3 to the Financial Statements.

**(c) Capital risk management**

The Trustee has established an Operational Risk Reserve (ORR) to provide funding for incidents where material losses may arise from an operational risk event (as opposed to investment risk) relating to the Fund. The level of reserve is determined by the Trustee based on an assessment of the risks faced by the Fund. The Trustee has an operational risk financial requirement strategy to manage assets held in the ORR. According to Superannuation Prudential Standard 114: Operational Risk Financial Requirement ("ORFR"), (SPS 114) which became effective 1 July 2013, the financial resources held to meet the ORFR must be held either as:

- An operational risk reserve held within an RSE;
- Operation risk trustee capital held by the RSE licensee; or
- A combination of both an operational risk reserve held within an RSE and operational risk trustee capital held by the RSE Licensee.

The Fund achieves its ORR target amount via an operational risk reserve held within the Fund. The target amount has not been met as at the reporting date. As such remediation plans have been put in place and the operational risk trustee capital will be replenished by 31<sup>st</sup> October 2021.

**(d) Financial risk management objectives**

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including currency risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Fund's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Fund's financial performance. These policies may include the use of certain financial derivative instruments.

It is ultimately the responsibility of the Trustee to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the Trustee has the function of overseeing the establishment and maintenance of risk-based systems and controls for the Fund. The Trustee has developed, implemented and maintains a Risk Management Framework ("RMF").

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**14. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Financial risk management objectives (continued)**

The RMF identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Fund. Annually, the Trustee is required to certify to APRA whether adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to ensure compliance with legislative and prudential requirements and that the Trustee has satisfied itself as to the compliance with the RMF.

**(e) Investment risk**

The Fund's assets principally consist of financial instruments which comprise of cash, listed securities, listed and unlisted unit trusts and collective investment vehicles such as pooled superannuation trusts and managed investment schemes). The Trustee has determined that this type of investment is appropriate for the Fund and is in accordance with the Fund's investment strategy.

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

- Market risk
- Credit risk
- Liquidity risk

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

To mitigate market risk, the Fund undertakes due diligence prior to the approval of fund managers to ensure that they have appropriate expertise and skill for monitoring of the market conditions and benchmark analysis. Further the Fund's asset consultant provides additional expert advice as required.

**(i) Currency risk**

Currency risk arises on financial instruments that are denominated in a foreign currency that is in a currency other than that in which they are measured.

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

	30 June 2021		30 June 2020	
	USD \$'000	Other '000	USD \$'000	Other '000
Financial assets	46,638	4,875	12,308	1,275
Net exposure foreign exchange risk	<b>46,638</b>	<b>4,875</b>	<b>12,308</b>	<b>1,275</b>

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**14. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(e) Investment risk (continued)**

(i) Currency risk (continued)

*Sensitivity analysis - currency risk*

The table below illustrates the currency risk to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2020: 10%) change in foreign currency rates. This analysis assumes that all other variables remain constant.

	Change in fair value of assets		Effect on net assets available to pay benefits	
	\$'000	\$'000	\$'000	\$'000
	10% Decrease	10% Increase	10% Decrease	10% Increase
<b>2021</b>				
USD currency risk	4,664	(4,664)	4,664	(4,664)
Other currencies risk	488	(488)	488	(488)
Currency risk	<b>5,152</b>	<b>(5,152)</b>	<b>5,152</b>	<b>(5,152)</b>
	10% Decrease	10% Increase	10% Decrease	10% Increase
<b>2020</b>				
USD currency risk	1,231	(1,231)	1,231	(1,231)
Other currencies risk	128	(128)	128	(128)
Currency risk	<b>1,359</b>	<b>(1,359)</b>	<b>1,359</b>	<b>(1,359)</b>

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Fund's financial instruments are non-interest bearing with only cash and fixed interest securities being subjected to interest rate risk. The Fund's investment balances that have a significant direct or indirect exposure to interest rate risk is set out below:

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	33,989	10,309
Total variable rate instruments	<b>33,989</b>	<b>10,309</b>

The following table demonstrates the sensitivity of the Fund's net assets available to pay benefits, where interest rates vary by 25 bps (2020: 25 bps). This table has been provided to illustrate the sensitivity of the Fund's directly and indirectly held investment portfolio to interest rate fluctuations. This analysis assumes that all other variables remain constant.



**ARACON SUPERANNUATION FUND**  
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**14. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(e) Investment risk (continued)**

(ii) Interest rate risk (continued)

*Cashflow sensitivity analysis - variable rate instruments*

	Change in fair value of assets		Effect on net assets available to pay benefits	
	\$'000	\$'000	\$'000	\$'000
	25 bps Decrease	25 bps Increase	25 bps Decrease	25 bps Increase
<b>2021</b>				
Interest rate risk	(85)	85	(85)	85
	25 bps Decrease	25 bps Increase	25 bps Decrease	25 bps Increase
<b>2020</b>				
Interest rate risk	(26)	26	(26)	26

(iii) Other market price risk

Other market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As all of the Fund's financial instruments are carried at fair value with changes recognised in the Income Statement, all changes in market conditions will directly affect changes in fair value.

The Fund's assets are invested in are invested in cash, fixed income securities, equity securities and units in unithold investments. The Fund's exposure to other market price risk is therefore limited to the market price movement of these investments.

The Trustee has determined that these investments are appropriate for the Fund and are in accordance with the Fund's investment strategy.

The table below illustrates the impact of other market price risk to the Fund should each type of financial asset fluctuate by a 10% increase or decrease from the investment objective. This analysis assumes that all other variables remain constant.

	Change in fair value of assets		Effect on net assets available to pay benefits	
	\$'000	\$'000	\$'000	\$'000
	10% Decrease	10% Increase	10% Decrease	10% Increase
<b>2021</b>				
Shares and other securities in listed companies	(11,251)	11,251	(11,251)	11,251
Units in Listed Unit Trusts	(2,962)	2,962	(2,962)	2,962
Units in Unlisted Unit Trusts	(33,663)	33,663	(33,663)	33,663
	<b>(47,876)</b>	<b>47,876</b>	<b>(47,876)</b>	<b>47,876</b>

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**14. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(e) Investment risk (continued)**

(iii) Other market price risk (continued)

	Change in fair value of assets		Effect on net assets available to pay benefits	
	\$'000	\$'000	\$'000	\$'000
	10% Decrease	10% Increase	10% Decrease	10% Increase
<b>2020</b>				
Shares and other securities in listed companies	(2,440)	2,440	(2,440)	2,440
Units in Listed Unit Trusts	(1,454)	1,454	(1,454)	1,454
Units in Unlisted Unit Trusts	(29,346)	29,346	(29,346)	29,346
	<b>(33,240)</b>	<b>33,240</b>	<b>(33,240)</b>	<b>33,240</b>

**Credit risk**

Credit risk refers to the risk that the counterparty to the financial instrument will default on its contractual obligations resulting in a financial loss to the Fund.

The carrying amounts of Cash, Fixed Interest and Receivables assets best represent the credit risk exposure at reporting date. No collateral is held as security or other credit enhancement exists for all financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due. The Fund's financial assets exposed to credit risk amounted to the following:

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash	33,989	10,309
Fixed Income	28,401	11,542
Distribution and dividend receivable	3,537	3,567
Other receivables	407	113
<b>Total</b>	<b>66,334</b>	<b>25,531</b>

**Liquidity risk**

Liquidity risk is the risk that the Fund will not be able to meet its obligations when they fall due. The risk is controlled through the Fund's investment in financial instruments which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating conditions. The Fund's overall liquidity risks are monitored by the Trustee at least annually and in accordance with policies and procedures in place.

The following table summarises the maturity profile of the Fund's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay.

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**14. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(e) Investment risk (continued)**

Liquidity risk (continued)

*Maturities of financial liabilities*

The tables below show the Fund's financial liabilities based on their contractual maturities using undiscounted cash flows. Liabilities to defined contribution members are payable upon request. The Fund considers it unlikely that all liabilities to members would fall due at the same time.

	Carrying amount \$'000	Less than 1 month \$'000	1-3 Months \$'000	Over 3 Months \$'000
<b>30 June 2021</b>				
Accounts payable and accrued expenses	2,251	2,251	-	-
Member liabilities	539,378	539,378	-	-
	<b>541,629</b>	<b>541,629</b>	-	-
<b>30 June 2020</b>				
Accounts payable and accrued expenses	1,095	1,095	-	-
Member liabilities	356,546	356,546	-	-
	<b>357,641</b>	<b>357,641</b>	-	-

Member benefits have been included, if applicable, in the "less than one month" column, as this is the amount that members could call upon at year-end. This is the earliest date on which the Fund can be required to pay members' benefits; however, the Trustee does not anticipate that members will call upon amounts accrued to them during this time.

**15. FAIR VALUE MEASUREMENTS**

**Fair value hierarchy**

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. Table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.

Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices). The Fund values fixed interest securities held by the Fund using broker quotes and units in unit trusts using the redemption price at reporting date as advised by the investment managers. Unit values denominated in foreign currency are then translated to Australian dollars at the current exchange rates.

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**15. FAIR VALUE MEASUREMENTS (CONTINUED)**

- Level 3 fair value measurements are those instruments valued based on inputs where one or more of the significant inputs are not based on observable market data, examples include discount rates and other material unobservable inputs. The Trustee values units in unit trusts classified as level 3 using the unit price provided by the underlying fund manager. These unit trusts hold illiquid investments such as unlisted property and private equity. The Fund classifies suspended and delisted securities that have not been actively traded at least in the last 3 months as Level 3 investments, and these securities are priced in the accounting system based on the last available price.

The table below sets out the Fund's financial assets and liabilities at fair value according to the fair value hierarchy.

<b>30 June 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Financial Assets</i>				
Cash and cash equivalents	33,989	-	-	33,989
Investment revenue and other receivables	3,944	-	-	3,944
Units in Listed unit trusts	29,624	-	-	29,624
Units in unlisted unit trusts	-	336,626	-	336,626
Fixed interest	-	28,401	-	28,401
Equities	112,506	-	-	112,506
<i>Financial Liabilities</i>				
Due to brokers payable for securities purchased	(927)	-	-	(927)
Other payables	(2,251)	-	-	(2,251)
<b>Total</b>	<b>176,885</b>	<b>365,027</b>	<b>-</b>	<b>541,912</b>

<b>30 June 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Financial Assets</i>				
Cash and cash equivalents	10,309	-	-	10,309
Investment revenue and other receivables	3,589	-	-	3,589
Due from brokers - receivables for securities sold	91	-	-	91
Units in Listed unit trusts	14,544	-	-	14,544
Units in unlisted unit trusts	-	293,461	-	293,461
Fixed interest	-	11,542	-	11,542
Equities	24,402	-	-	24,402
<i>Financial Liabilities</i>				
Other payables	(1,095)	-	-	(1,095)
<b>Total</b>	<b>51,840</b>	<b>305,003</b>	<b>-</b>	<b>356,843</b>

**ARACON SUPERANNUATION FUND**  
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**15. FAIR VALUE MEASUREMENTS (CONTINUED)**

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Fair value measurements categorised within Level 3 of the fair value hierarchy 2021: nil (2020: nil)

**16. STRUCTURED ENTITIES**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

The Fund considers all investments in managed investment schemes ('MIS') to be structured entities. The Fund invests in underlying managed funds for the purpose of capital appreciation and or earning investment income.

The objectives of the investee MIS are to achieve medium to long term capital growth. The investee MIS invest in a number of different financial instruments, including equities and debt instruments.

The exposure to investments in investee funds at fair value, by investment strategy, is disclosed below:

	<b>Fair Value as at 30 June 2021 \$'000</b>	<b>Fair Value as at 30 June 2020 \$'000</b>
Australian Cash	23,852	25,738
Australian Equity	93,887	93,755
International Equity	52,548	233
Australian Fixed Income	79,047	67,309
International Fixed Income	8,255	3
Australian Property	10,185	41,194
International Property	68,852	65,229
	<b>336,626</b>	<b>293,461</b>

The fair value of financial assets \$336,626,000 (2020: \$293,461,000) is included in investments in the statement of financial position.

**ARACON SUPERANNUATION FUND**  
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**17. EXTERNAL AUDITOR'S REMUNERATION**

	2021	2020
	\$'000	\$'000
Audit and review of financial statements and compliance (William Buck)	29	31
Audit and review of the risk management framework (Deloitte)	3	-
Other Services – Preparation of Tax Return (William Buck)	3	4
<b>Total Auditor's Remuneration</b>	<b>35</b>	<b>35</b>

Included above, and as disclosed in Related Party Note 13(e) \$3,000 was reimbursed to the Trustee in relation to the audit and review of the risk management framework.

**18. INSURANCE ARRANGEMENTS**

The Fund provides death and disability benefits to its members. The Trustee has a group policy in place with a third-party insurance company to insure these death and disability benefits for the members of the FairVine Super and Elevate Super Sub Plans of the Fund.

The Fund collects premiums from members on behalf of the insurance company. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore, insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to members' accounts and insurance claim proceeds credited to members accounts are recognised in the statement of changes in members' benefits.

The Trustee determined that the Fund is not exposed to material insurance risk because:

- members (or their beneficiaries) will only receive insurance benefits if the external insurer pays the claim,
- insurance premiums are only paid through the Fund for administrative reasons, and
- insurance premiums are effectively set directly by reference to premiums set by an external insurer.

**19. CORONAVIRUS (COVID-19) PANDEMIC**

**Background**

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. Since that time, the pandemic has had a significant impact on the community, the economy, investment markets, and the operations of businesses across the country and world.

On 22 March 2020 the federal government announced a temporary measure due to the effects of coronavirus on the economy. This new rule allowed individuals to access up to \$10,000 of their superannuation in financial year 2019/20 and a further \$10,000 in financial year 2020/21. This measure ended on 31 December 2020.

For the year ended 30 June 2021 the Fund paid out \$57,000 (2020: \$318,800) in benefits to members seeking early access to their super.

**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**19. CORONAVIRUS (COVID-19) PANDEMIC (CONTINUED)**

The Trustee has considered the impact of the government's response to COVID-19 and other market volatility in preparing its financial statements. The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business and whilst the situation remains uncertain, the Trustee remains confident that the Fund will be able to continue as a going concern and has sufficient liquidity to meet its debts as and when they fall due.

The key areas of impact were as follows:

**Investments**

The global pandemic has impacted global economic activity and, to varying degrees, financial markets around the world. As a result, assessing fair value as at reporting date involves increased uncertainties around the underlying assumptions for valuations given the very wide range of potential paths forward for both economies, policy responses and asset fundamentals. Additionally, very low, if any, transaction volumes make evidential valuation difficult.

At the previous reporting date, reduced transaction volume was driven by the unfolding crisis, and therefore the quality of estimates of the value of assets was impacted. Whilst liquidity has returned to markets, the price of certain assets has been heavily influenced by government intervention. For example, for most of the reporting period the Reserve Bank of Australia has taken steps to maintain the target of 10 basis points for the cash rate and the yield on 3-year Australian Government bonds, the latter through on market purchase of these bonds. As a result, our assessment of fair value is partly dependent on governments maintaining their stated policies to manage investment market conditions.

The value of more than 95% of the Fund's investments is valued based upon observable market prices as of 30 June 2021.

The Fund holds less than 5% of its investments in an unlisted mortgage income fund, where the underlying investments are independently valued. As at the date of this note, the manager of the mortgage income fund had not reported any impairments for its portfolio.

**Recoverability of Deferred Tax Balances**

In assessing whether a deferred tax asset can be recognised and given the macro-economic conditions arising from COVID-19 existed at the reporting date, the Trustee has ensured the projections of future taxable earnings is robust and based on reasonable assumptions regarding the Fund's future investment performance and taxable contribution levels.

**Risk management**

The Trustee's robust risk management framework continues to be applied across the Funds operations and the Trustee continues to monitor the impact of government's response to COVID-19 on the Fund's risk profile. Non-financial risks emerging from global movement restrictions, and remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Trustee's risk management framework.

The management of liquidity risk is a key element of the investment process. The risk is controlled through the Fund's investment in financial instruments which are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating conditions as well as additional cash requirements to fund the benefits to members seeking early access to their super.

**ARACON SUPERANNUATION FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**20. EVENTS SUBSEQUENT TO REPORTING DATE**

There has not arisen, in the interval between the end of the financial year and the date of this financial report, any item, transaction or event of an unusual nature likely to affect significantly the operations of the Fund, the result of the operations, or the state of affairs of the Fund.



**ARACON SUPERANNUATION FUND**  
**TRUSTEE'S DECLARATION TO THE MEMBERS**

**In the opinion of the directors of the Trustee of the Aracon Superannuation Fund:**

1. The accompanying Financial Statements and notes set out on pages 1 to 30 are in accordance with:
  - Australian Accounting Standards and other mandatory professional reporting requirements, and
  - present fairly the Fund's financial position as at 30 June 2021 and of its performance for the financial year ended on that date
2. The Fund has been conducted in accordance with its constituent Trustee 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
3. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of Equity Trustees Superannuation Limited (ABN 50 055 641 757) as Trustee for the Aracon Superannuation Fund.



.....  
Director

Melbourne

27 September 2021

## **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE ARACON SUPERANNUATION FUND (ABN: 40 586 548 205)**

**Independent Auditor's report approved form for a superannuation entity which is a reporting entity (as defined in Australian Accounting Standard AAS 25)**

### **Report by the RSE Auditor to the trustee and members**

#### *Financial statements*

I have audited the accompanying financial statements of The Aracon Superannuation Fund for the year ended 30 June 2021 comprising the statement of financial position, income statement, statement of changes in member benefits, statement of changes in reserves and statement of cash flows.

#### *Trustee's responsibility for the financial statements*

The superannuation entity'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.

#### *Auditor's responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members of The Aracon Superannuation Fund.

My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements 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 trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

#### **ACCOUNTANTS & ADVISORS**

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Melbourne VIC 3000

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS  
FOR THE ARACON SUPERANNUATION FUND (ABN: 40 586 548 205) (CONT)**

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

*Auditor's opinion*

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of The Aracon Superannuation Fund as at 30 June 2021 and the results of its operations and its cash flows for the year ended 30 June 2021.

A handwritten signature in blue ink that reads "William Buck." followed by a period.

**William Buck Audit (Vic) Pty Ltd**  
ABN 59 116 151 136

A handwritten signature in blue ink that appears to read "J. C. Luckins".

**J. C. Luckins**  
Director

Melbourne, 27 September 2021