

**The Aracon Superannuation Fund**

**ABN 40 586 548 205**

**RSE R1001020**

**Financial Statements  
For the Year Ended 30 June 2020**

## CONTENTS

Statement of Financial Position	3
Income Statement	4
Statement of Changes in Member Benefits	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Trustees' Declaration	23
Auditor's Report	24

## Statement of Financial Position as at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Assets</b>			
Cash and cash equivalents	12	10,309	6,920
Foreign cash	12	2,280	-
Investment income receivable		3,567	-
Other receivables		113	109
Investments held at fair market value	4	341,669	328,213
<b>Other assets</b>			
Current tax asset		79	-
Deferred tax assets	10	579	235
<b>TOTAL ASSETS</b>		<b>358,596</b>	<b>335,477</b>
<b>Liabilities</b>			
Benefits payable		890	606
Accounts payable and accrued expenses		205	44
Current tax liabilities		-	203
Deferred tax liabilities	10	-	12
<b>TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS</b>		<b>1,095</b>	<b>865</b>
<b>NET ASSETS AVAILABLE FOR MEMBER BENEFITS</b>		<b>357,501</b>	<b>334,612</b>
Defined contribution member liabilities		356,546	333,818
<b>TOTAL NET ASSETS</b>		<b>955</b>	<b>794</b>
<b>Equity</b>			
Operational Risk Reserve	9(a)	802	794
Expense Reserve	9(b)	153	-
<b>TOTAL EQUITY</b>		<b>955</b>	<b>794</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

## Income Statement for the financial year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Superannuation activities</b>			
Interest		40	21
Dividends received		772	-
Distributions from managed funds		5,131	22,499
Changes in fair value of investments	5	(10,139)	(10,221)
Other income		1,259	1,390
<b>Total net income/(loss)</b>		<b>(2,937)</b>	<b>13,689</b>
<b>Less Expenses</b>			
Investment expense		(141)	-
General administration expenses	11	(554)	(342)
Adviser fees		(203)	-
<b>Total expenses</b>		<b>(898)</b>	<b>(342)</b>
<b>Results from superannuation activities before income tax expense</b>		<b>(3,835)</b>	<b>13,347</b>
Income tax expense / (benefit)	10	(789)	(940)
<b>Results from superannuation activities after income tax expense</b>		<b>(3,046)</b>	<b>14,287</b>
Net benefits allocated to defined contribution members		(3,207)	(14,285)
<b>Operating result after income tax</b>		<b>161</b>	<b>2</b>

The above income statement should be read in conjunction with the accompanying notes.

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

	2020 \$'000	2019 \$'000
<b>Opening balance of member benefits as at 1 July</b>	<b>333,818</b>	<b>328,798</b>
<b>Contributions</b>		
Employer contributions	3,108	2,591
Member contributions	8,141	5,478
Government contributions	18	-
Transfers in from other superannuation entities	50,957	15,355
Income tax on contributions	(466)	(389)
<b>Net after tax contributions</b>	<b>61,758</b>	<b>23,035</b>
Benefits to members	(35,750)	(32,236)
Insurance premiums charged to members' accounts	(72)	(57)
<b>Net benefits allocated, comprising:</b>		
Net investment income (loss)	(4,311)	12,968
Net administration fees after rebates	911	1,391
Net adviser fees	(203)	-
Net tax credit	395	(81)
<b>Closing balance of member benefits as at 30 June</b>	<b>356,546</b>	<b>333,818</b>

The above statement of changes in member benefits should be read in conjunction with the accompanying notes.

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

	Expense reserve \$'000	Operational risk reserve \$'000	Total equity/ reserves \$'000
<b>Opening balance as at 1 July 2018</b>	-	<b>792</b>	<b>792</b>
Operating result	-	2	2
<b>Closing balance as at 30 June 2019</b>		<b>794</b>	<b>794</b>
<b>Opening balance as at 1 July 2019</b>	-	<b>794</b>	<b>794</b>
Transfer (to)/from other reserves	(8)	8	-
Operating result	161	-	161
<b>Closing balance as at 30 June 2020</b>	<b>153</b>	<b>802</b>	<b>955</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows for the financial year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Interest received		40	23
Dividends and trust distributions received		786	22,499
Fee rebates		1,259	1,395
Other general administration expenses		(742)	(343)
Income tax refund/(paid)		(338)	736
Unallocated receipts		3	10
Death and disability insurance premiums		(70)	(57)
<b>Net cash inflows from operating activities</b>	13(a)	<b>938</b>	<b>24,263</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(97,936)	(73,536)
Proceeds from sale of investment		73,616	59,501
<b>Net cash outflows from investing activities</b>		<b>(24,321)</b>	<b>(14,035)</b>
<b>Cash flows from financing activities</b>			
Employer contributions received		3,108	2,591
Member contributions received		8,141	5,452
Net transfers from other superannuation funds		50,957	15,381
Government contributions		18	-
Benefits paid		(35,452)	(31,672)
<b>Net cash inflows (outflows) from financing activities</b>		<b>26,772</b>	<b>(8,248)</b>
<b>Net increase in cash held</b>		<b>3,389</b>	<b>1,980</b>
Cash at the beginning of the financial year		6,920	4,940
<b>Cash at the end of the financial year</b>	12	<b>10,309</b>	<b>6,920</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

### 1. General Information

The Aracon Superannuation (ABN 40 586 548 205) (the "Fund") is a retail superannuation fund domiciled in Australia. The Fund is primarily involved in providing retirement benefits to its members. The Fund was 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 Fund is a defined contribution fund. Members are those who have voluntarily selected the Fund.

The Trustee of the Fund during the reporting period was Aracon Superannuation Pty Ltd (ABN 13 133 547 396) (RSE No L0003384). The registered address of the Fund is Level 12, 500 Collins Street, Melbourne VIC 3000.

Both the Trustee and the Fund are domiciled in Australia and registered with APRA.

The Aracon Superannuation Fund has five (5) Sub Plans as at 30 June 2020; namely the ARA Retirement Fund Sub Plan, the Xplore Super and Pension Sub Plan; the FairVine 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 other Sub Plans invest in a range of Australian equities, fixed interest and International securities including model portfolios that may be listed or unlisted.

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. These financial statements cover the Fund as an individual entity. The financial statements of the Fund were authorised for issue by the Directors of the Trustee on 25 September 2020. The Directors of the Trustee have the power to amend and re-issue these financial statements.

### 2. Summary of significant accounting policies

Unless covered in other notes to the financial statements, the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Superannuation Industry (Supervision) Act 1993 and Regulations* ("SIS") and the provisions of the Trust Deed.

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

#### (b) Financial instruments

##### (i) Classification

The Fund's investments are classified as at fair value through the income statement. 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 income statement upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts 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.

*(ii) Recognition/de-recognition*

Financial assets and financial liabilities are recognised on the date the Fund becomes party to the contractual agreement (trade date) and changes in the fair value of the financial assets or financial liabilities are recognised from this date.

Investments are de-recognised 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 financial liabilities at fair value through income statement 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.

For further details on how the fair values of financial instruments are determined refer to note 4.

*(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) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original 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.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

**(d) Revenue recognition**

Interest revenue is recognised in profit or loss for all financial instruments that are held at fair value through profit or loss using the effective interest method. Income from cash and cash equivalents is presented as interest income. Interest income on assets held at fair value through profit or loss is included in the net changes in fair value of financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b) to the financial statements.

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

**(e) 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 trade date. A provision for impairment is made when the Fund will not be able to collect all amounts due from the relevant broker.

**(f) Receivables**

Receivable amounts are generally received within 30 days of being recorded as receivables.

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

**(g) Payables**

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. These amounts are unsecured and are usually paid within 30 days of recognition.

**(h) 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 balance date.

**(i) Contributions received and transfers from other funds**

Contributions received and transfers from other funds are recognised in the statement of changes in member benefits when the control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.

**(j) Use of estimates**

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 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 experienced personnel. Refer to note 4 for details.

**(k) New accounting standards and interpretations**

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the 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 2020 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) is set out below:

There are none to report at this stage.

**(l) Rounding of amounts**

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

**(m) Function and presentation currency**

The financial report is presented in Australian currency, which is the functional currency of the Fund.

**(n) Non-consolidation of the ARA Investment Fund**

The Fund owned 71.49% of the total units issued by The ARA Investment Fund (ARAI) as at 30 June 2019. For the year ended 30 June 2020 the trustee has determined that the Fund did not control The ARAIF, and as a consequence, these financial statements have not been consolidated for year ended 30 June 2020, nor were they in 2019, for the following reason; the Trustee has considered changes to the requirements to the definitions of control, as set out under AASB 10; in particular, the Trustee considered the ability of the Fund to direct the relevant activities of The ARAIF. The Trustee has concluded that the Fund does not perform such a role due to the following reasons:

- The choice of asset allocation within The ARAIF is made by the responsible entity and the asset consultant of that fund and not by the Fund's trustee;
- The Trustee's primary responsibility is to act in the best interests of members. The Trustee also has a responsibility to invest members' funds in accordance with its strategies, which in this case, happen to be consistent with The ARAIF strategies.

- The Fund does receive distributions from the ARAIF, however its ability to determine whether or not to reinvest those distributions back into The ARAIF is driven by its liquidity requirements in meeting the needs of its unit holders.

### 3. Financial Risk Management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

The Trustee has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Trustee's risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's underlying Fund Managers, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund has an investment governance framework ('IGF') established by the Trustee. The IGF sets out the Trustees policies and procedures for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

#### (a) Market risk

##### (i) Price risk

The Fund is exposed to equity securities and derivative price risk. These arise from investments held by the Fund for which prices in the future are uncertain.

The Trustee mitigates price risk through diversification and a careful selection of securities. Compliance with the IGF and supporting investment guidelines are monitored by the Trustee on a regular basis.

During the year, the COVID 19 pandemic has created market uncertainty which has changed the Fund's exposure to a potential market risk and the manner in which the Fund manages and measures the risk. During the COVID 19 pandemic period, heightened market risk was managed in part by increasing reporting frequency and including additional detail in daily monitoring and review processes.

At 30 June, the fair value of investments exposed to price risk were as follows:

	2020 \$'000	2019 \$'000
Australian listed securities	13,099	3,742
International listed securities	11,303	2,950
Unlisted unit trusts	293,461	317,807
Listed trusts	14,544	2,007
Net exposure to price risk	<b>333,407</b>	<b>326,506</b>

##### (ii) Foreign exchange risk

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

The table below summarises the Fund's financial assets and liabilities which are denominated in foreign currencies.

	30 June 2020		30 June 2019	
	US \$'000	Other'000	US \$'000	Other'000
Financial assets	12,308	1,275	2,608	342
Net exposure foreign exchange risk	<b>12,308</b>	<b>1,275</b>	<b>2,608</b>	<b>342</b>

(iii) *Cash flow and fair value interest rate risk*

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates.

Financial instruments with fixed interest rates expose the Fund to fair value interest rate risk.

The table below summarises the Fund's direct exposure to interest rate risk.

<b>At 30 June 2020</b>	<b>Floating interest rate \$'000</b>	<b>Fixed interest rate \$'000</b>	<b>Non- interest bearing \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents	12,589	-	-	12,589
Fixed interest securities		9,262		9,262
Other receivables	-	-	3,680	3,680
Financial assets	12,589	9,262	3,680	25,531
<b>Financial liabilities</b>				
Financial liabilities	-	-	(1,095)	(1,095)
Net exposure interest rate risk	<b>12,589</b>	<b>9,262</b>	<b>2,585</b>	<b>24,436</b>

<b>At 30 June 2019</b>	<b>Floating interest rate \$'000</b>	<b>Fixed interest rate \$'000</b>	<b>Non- interest bearing \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents	6,920	-	-	6,920
Fixed interest securities		1,312		1,312
Other receivables	-	-	109	109
Financial assets	6,920	1,312	109	8,341
<b>Financial liabilities</b>				
Financial liabilities	-	-	(650)	(650)
Net exposure interest rate risk	<b>6,920</b>	<b>1,312</b>	<b>(541)</b>	<b>7,691</b>

The floating interest rate is dependent on member individual cash account balances and ranges from 0% to 1.3%. The fixed interest rate is based on the individual term deposits and ranges from 2.95% to 8.75%.

**(b) Summarised sensitivity analysis**

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk, foreign exchange risk and price risk. The reasonably possible movements in the risk variables have been based on the Trustee's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market volatility. Actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

**Impact on operating profit/Net assets attributable to unitholders**

	Price risk		Foreign exchange risk				Interest rate risk	
	-15% MSCI Index	+7.5% MSCI Index	-10% USD	+10% USD	-10% Other	+5% Other	-75 bps	+75 bps
30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(50,011)	25,005	(1,231)	1,231	(128)	64	(183)	183
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(48,976)	24,488	(264)	264	(34)	17	(41)	41

**(c) Credit risk**

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The main credit risks, to which the Fund is exposed, arises from the Fund's investment in cash and cash equivalents, interest bearing securities, units in unit trusts and other receivables. The Trustee monitors the Fund's credit risk exposure on a regular basis.

*(i) Fixed interest securities*

The Fund invests in fixed interest securities which are rated by Standards & Poors. For unrated assets the Trustee assesses credit risk using an approach similar to that used by rating agencies. An analysis of debt securities by rating is set out in the following table.

Rating	30 June 2020 \$'000	30 June 2019 \$'000
<b>Australian</b>		
AA	-	-
Aa	-	-
BBB		
Not rated	9,262	1,312
<b>Total</b>	<b>9,262</b>	<b>1,312</b>

*(ii) Derivative financial instruments*

The Fund presently is not directly exposed to or involved in the use of derivative financial instruments. However, some of the Fund's underlying investments may, as part of the respective fund manager's investment strategy, utilise derivative financial instruments to hedge or partially hedge specific exposures. The Fund does not enter in to, hold or issue derivative financial instruments for trading purposes.

*(iii) Settlement of securities transactions*

All transactions in listed securities are settled for upon delivery using brokers approved by the Trustee. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment.

*(iv) Cash and cash equivalents*

The Fund's exposure to credit risk for cash and cash equivalents is considered low as all counterparties have a rating of A+ or higher (as determined by Standard & Poors).

(v) *Assets in custody*

The clearing and depository for the Fund's security transactions are held by Trustee appointed custodians,

(vi) *Maximum exposure to credit risk*

The Fund's maximum exposure to credit risk is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

**(d) Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations to members or counterparties in full as they fall due or can only do so on terms that are disadvantageous.

The Fund is obligated to pay member benefits upon request. The Trustee's policy is therefore to primarily hold investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange or ordinarily redeemable within a short period of time. The Fund's overall liquidity risks are monitored by the Trustee at least every six months.

During the COVID 19 pandemic period, heightened liquidity risk was managed in part by increasing reporting frequency and including additional detail in daily monitoring and review processes. Monitoring included daily foreign exchange monitoring, member switching activity and modelling and reporting on the impact of COVID 19 hardship changes introduced by the Government.

(i) *Maturities of financial liabilities*

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

<b>At 30 June 2020</b>	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>Greater than 3 months \$'000</b>	<b>Total \$'000</b>
<b>Non-derivatives</b>				
Benefits payable	890	-	-	890
Other payables	205	-	-	205
Liability for accrued benefits	356,546	-	-	356,546
<b>Total</b>	<b>357,641</b>	<b>-</b>	<b>-</b>	<b>357,641</b>

<b>At 30 June 2019</b>	<b>Less than 1 month \$'000</b>	<b>1-3 months \$'000</b>	<b>Greater than 3 months \$'000</b>	<b>Total \$'000</b>
<b>Non-derivatives</b>				
Benefits payable	606	-	-	606
Other payables	44	-	-	44
Liability for accrued benefits	333,818	-	-	333,818
<b>Total</b>	<b>334,468</b>	<b>-</b>	<b>-</b>	<b>334,468</b>

The liability for accrued benefits has been included in the less than one-month column. This is the earliest date on which the Fund can be required to pay all members' vested benefits, however the Trustee does not anticipate that all members will call upon amounts vested to them during this time.

**4. Fair value measurement**

**(a) 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.

The fair value hierarchy has the following levels:

- Level 1: 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: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values fixed interest securities held by the Fund using broker quotes, units in unit trusts using the unit price provided by the underlying fund manager and OTC derivatives using valuation models.
- Level 3: 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.

#### *Recognised fair value measurements*

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

<b>At 30 June 2020</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial Assets</b>				
Cash and cash equivalents	10,309	-	-	10,309
International cash	2,280	-	-	2,280
Other receivables	3,680	-	-	3,680
Equity securities				
Australian	13,099	-	-	13,099
International	11,303	-	-	11,303
Listed trusts				
- Australian	14,544	-	-	14,544
Fixed interest securities	-	9,262	-	9,262
Unlisted unit trusts	-	293,461	-	293,461
<b>At 30 June 2020</b>	<b>55,215</b>	<b>302,723</b>	<b>-</b>	<b>357,938</b>
Benefits payable	(890)	-	-	(890)
Other payables	(205)	-	-	(205)
<b>At 30 June 2020</b>	<b>(1,095)</b>	<b>-</b>	<b>-</b>	<b>(1,095)</b>

<b>At 30 June 2019</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial Assets</b>				
Cash and cash equivalents	6,920	-	-	6,920
International cash	395	-	-	395
Other receivables	109	-	-	109
Equity securities				
- Australian	3,742	-	-	3,742
- International	2,950	-	-	2,950
Listed Trusts				
- Australian	2,007	-	-	2,007
Unlisted unit trusts	-	317,807	-	317,807
<b>At 30 June 2019</b>	<b>17,435</b>	<b>317,807</b>	<b>-</b>	<b>335,242</b>
<b>Financial Liabilities</b>				
Benefits payable	(606)	-	-	(606)
Other payables	(44)	-	-	(44)
<b>At 30 June 2019</b>	<b>(1,745)</b>	<b>-</b>	<b>-</b>	<b>(1,745)</b>

### *Movement in level 3 investments*

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.

There were no transfers between levels in the fair value hierarchy for the years ended 30 June 2020 and 30 June 2019.

### *Valuation process*

The Trustee reviews valuations of the financial instruments required for financial reporting purposes, including level 3 fair values. Changes in level 2 and 3 fair values are analysed at each reporting date by the Trustee.

## **5. Net changes in fair value of financial instruments**

Net changes in financial assets and liabilities measured at fair value:

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Designated at fair value through profit or loss</b>		
ARA Investment Fund	(8,914)	(10,369)
Australian listed equities	(343)	43
Australian listed trusts	(558)	23
Unlisted trusts	(172)	(4)
Fixed interest securities	(48)	3
International listed equities	(104)	83
<b>Total</b>	<b>(10,139)</b>	<b>(10,221)</b>

## **6. Structured entities (unlisted unit trusts)**

A structured entity (unlisted unit trusts) 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 (unlisted unit trusts) to be structured entities. The trusts invest in underlying managed funds for the purpose of capital appreciation and or earning investment income.

The investee trusts' objectives are to achieve medium to long term capital growth and in some cases to generate investment income. The investee trusts invest in a number of different financial instruments, including equities and debt instruments. The investee trusts finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in the respective trust's net assets.

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

	<b>Fair value of investment 2020 \$'000</b>	<b>Fair value of investment 2019 \$'000</b>
Cash funds	25,738	50,285
Fixed interest funds	93,755	126,045
Australian property funds	233	676
Australian equity funds	67,309	112,708
International property funds	3	8,767
International equity funds	41,194	8,739
Other	65,229	10,587
<b>Total</b>	<b>293,461</b>	<b>317,807</b>



The fair value of financial assets \$293,461,000, (2019: \$317,807,504) is included in financial assets in the balance sheet.

The Fund's maximum exposure to loss from its interests in investee trusts is equal to the total fair value of its investments in the investee trusts.

During the year ended 30 June 2020, total losses incurred on investments in investee trusts were \$9,086,000 (total losses 2019: \$10,369,000).

During the year the Fund earned fair value losses and distribution income as a result of its interests in other trusts.

## **7. 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 account balances reflect the fair value of the investments held by the members.

The defined contribution members bear the investment risk relating to the underlying investment options. Unit prices used to measure defined contribution member liabilities are updated each day for movements in investment values.

## **8. Insurance arrangements.**

The Fund provides death and disability benefits to some of its members. The Trustee has group and retail policies in place with third party insurance companies to insure these death and disability benefits for the members of the Fund who elect to take up such insurance.

The Fund collects premiums from members on behalf of the relevant 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 reinsurance recoveries allocated 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.

## **9. Reserves**

### **(a) Operational risk financial reserve**

From 1 July 2013, the Trustee has been required to hold, and have unfettered access to, financial resources in the form of operational risk reserves that can be used in the event of certain operational risk events. The operational risk financial reserve (ORFR) may be used in certain circumstances to address operational risk events or claims against the Fund arising from certain operational risk events. The ORFR is operated in accordance with the Operational Risk Financial Requirement Strategy. The Trustee has assessed an ORFR target amount of 0.25% of fund assets as appropriate for the Fund. The Fund achieves its ORFR target amount via a combination of operational risk reserve in the Fund and Trustee Capital. The ORFR amounts are invested in cash in accordance with the Trustee's ORFR strategy.

The amounts held as at 30 June 2020 were:

	2020	2019
	\$	\$
ORFR maintained within the Aracon Superannuation Fund	802	794
ORFR maintained by Aracon Superannuation Pty Ltd for the members of the ARA Retirement Fund Sub Plan	251	251
ORFR maintained by Aracon Superannuation Pty Ltd for the members of the Xplore Super and Pension Sub Plan	<u>150</u>	<u>0</u>
<b>Total ORFR Reserve</b>	<b>1,203</b>	<b>1,044</b>

Changes in the ORFR are detailed in the Statement of Changes in Equity.

## (b) Expense recovery reserve

The Expense recovery reserve has been established for the purpose of meeting the Fund's operating costs.

## 10. Income Tax

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

### (i) Accounting policy

Under the Income Tax Assessment Act, the Fund is a complying superannuation fund. As such, a concessional tax rate of 15% is applied on net investment earnings with deductions allowable for administrative and operational expenses. Financial assets held for less than 12 months are 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.

Current tax is the expected tax payable on the estimated taxable income for the current year based on the applicable tax rate adjusted for instalment payments made to the ATO during the year and by changes in deferred tax assets and liabilities attributable to temporary differences.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### (ii) Income tax expense

	2020 \$'000	2019 \$'000
<i>Current tax expense</i>		
Current tax on profits for the year	(519)	(186)
Adjustments for current tax of prior periods	<u>86</u>	<u>(248)</u>
<b>Current tax expense/(benefit)</b>	<b>(433)</b>	<b>(434)</b>
<i>Deferred tax expense</i>		
Movement in temporary differences	<u>(356)</u>	<u>(506)</u>
<b>Income tax expense/(benefit)</b>	<b><u>(789)</u></b>	<b><u>(940)</u></b>

(iii) Numerical reconciliation of income tax expense to prima facie tax payable

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Operating result before income tax expense	<b>(3,835)</b>	<b>13,347</b>
Tax at the Australian rate of 15% (2019 – 15%)	(575)	2,002
Capital loss adjustment	1,051	(319)
Non-deductible expenses	67	34
Member account tax transfer	-	(187)
Other non-assessable income	(683)	(1,316)
Imputation credits	(735)	(906)
Adjustments for current tax of prior periods	86	(248)
<b>Income tax expense/(benefit)</b>	<b>(789)</b>	<b>(940)</b>

In addition to the above \$466,281 (2019: \$388,650 is recognised in the Statement of Changes in Member Benefits relating to tax on contributions deducted from member accounts.

## 10. Income Tax (Continued)

(iv) Deferred tax balances

The balance comprises temporary differences attributable to:

<b>2020</b>	<b>Opening balance \$'000</b>	<b>Charged to income \$'000</b>	<b>Closing balance \$'000</b>
<b>Gross deferred tax liabilities:</b>			
Unrealised taxable capital gains	(12)	12	-
	(12)	12	-
<b>Gross deferred tax assets:</b>			
Accounts payable		25	25
Realised taxable losses	235	319	554
	235	344	579
Net deferred tax liabilities	<b><u>223</u></b>	<b><u>356</u></b>	<b><u>579</u></b>
<b>2019</b>	<b>Opening balance \$'000</b>	<b>Charged to income \$'000</b>	<b>Closing balance \$'000</b>
<b>Gross deferred tax liabilities:</b>			
Unrealised taxable capital gains	(283)	271	(12)
	(283)	271	(12)
<b>Gross deferred tax assets:</b>			
Accounts payable	-	-	-
Realised taxable losses	-	235	235
	-	235	235
Net deferred tax liabilities	<b><u>(283)</u></b>	<b><u>506</u></b>	<b><u>223</u></b>

## 11. General administration expenses

	2020 \$'000	2019 \$'000
Administration fees	135	-
Buy/Sell spread	28	-
Trustee fees	344	338
Promoter fees	40	-
Sundry	2	-
Unrecouped GST	5	-
	<u>554</u>	<u>338</u>

## 12. Cash and cash equivalents

Cash at bank	10,309	6,920
International cash	2,280	-
	<u>12,589</u>	<u>6,920</u>

Foreign cash is treated as an investment and is not tracked during the year, due to this it is excluded from the cash balance in the statement of cash flows.

## 13. Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	2020 \$'000	2019 \$'000
Operating result after tax	161	2
Adjustments for:		
Net changes in financial instruments measured at fair value through the profit and loss	10,139	10,221
Net benefits allocated to defined contribution members	(4,047)	13,279
Distribution reinvestment	(1,550)	-
Change in operating assets and liabilities		
(Increase) in receivables	(3,573)	7
Increase in payables	445	570
Increase in tax provisions	(637)	184
Net cash inflow from operating activities	<u>938</u>	<u>24,263</u>

There were no non-cash financing activities during the year.

## 14. Commitments

There are no commitments the Trustee is aware of as at the date of this report not otherwise reflected in these financial statements.

## 15. Contingent liabilities and contingent assets

There are no outstanding contingent assets or liabilities as at 30 June 2020 and 30 June 2019.

## 16. Events occurring after the reporting period

The COVID-19 pandemic has created unprecedented uncertainty. Actual economic events and conditions in the future may materially differ from those estimated by the Fund at the reporting date. In the event that COVID-19 impacts are more severe or prolonged than anticipated, the future fair value of the Fund's investments may be adversely impacted. The Directors have assessed the events subsequent to year end up to the date of signing these financials statements and determined that no adjustments or additional disclosures are required.

## **17. Related party transactions**

### **(a) Trustee**

The Trustee of The Aracon Superannuation Fund is Aracon Superannuation Pty Ltd (ABN 13 133 547 396), a wholly owned subsidiary of Xplore Wealth Limited (XPL), an ASX Listed Financial Services Company.

### **(b) Directors**

The Fund does not employ personnel in its own right. However, it is required to have an incorporated Trustee to manage the activities of the Fund. The directors of Aracon are the key management personnel (KMP) of the Trustee. Key management personnel include persons who were directors of Aracon at any time during the financial year as follows:

Geoffrey K M Peck, appointed 6 December 2019  
Alan H Hayden, appointed 1 April 2015  
Christine L Cameron, appointed 19 June 2020  
Vincent J Parrott, appointed 18 December 2019 – resigned 4 September 2020  
Debra A Comben, appointed 3 October 2008 – resigned 31 July 2020  
Pamela R McAlister, appointed 31 October 2018 - resigned 1 July 2019  
Peter R Brook, appointed 31 October 2018 - resigned 9 December 2019

Debra Comben was the only director who was a member of the Fund.

### **(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 financial year.

### **(d) Remuneration of directors of the Trustee**

The directors of the Trustee are not paid any remuneration from the Fund in connection with the management of the Fund. Furthermore, there are no other key management personnel other than the directors of the Trustee entity.

### **(e) Other entities with significant influence over the Fund**

#### **Administrator**

The Administrator of the Fund is DIY Master Pty Ltd (ABN 41 123 035 245) (AFSL 312431).

DIY Master Pty Ltd, a wholly owned subsidiary of Xplore Wealth Limited, and a related party to the Trustee, was appointed administrator of the Fund on 1 June 2019. The administration fees due to DIY Master Pty Ltd are paid by the Trustee.

Under the terms of the Trust Deed, the Administrator is entitled to receive compensation for services provided to the Fund.

#### **Remuneration of the Administrator**

There have been no transactions between the Administrator and the Fund other than trustee fees disclosed in Note 11. The compensation received or due and receivable by the Administrator from the Fund in connection with services provided to the Fund was \$228,451 (2019: \$0 to DIY for that year).

The Trustee pays the administration and operational expenses of the ARA Retirement Fund out of its fee. The other Sub Plan's administration and operational costs are paid via fees charged to members.

There were no other transactions between the Promoter/Trustee and the Fund during the year.

## 18. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor(s) of the Fund:

<b>Audit Services</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Auditor of the Fund – William Buck</b>		
Audit and review of financial statements and regulatory audit services	31	26
<b>Other Services – William Buck</b>		
Preparation of Fund tax return	4	4
<b>Total</b>	<b>35</b>	<b>30</b>

Auditors' remuneration has been reported showing the net cost to the Fund. The audit fee is payable by the Trustee.

### Trustees' Declaration

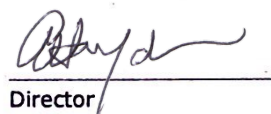
In the opinion of the directors of the Trustee of the Aracon Superannuation Fund:

- (a) the accompanying financial statements and notes set out on pages 3 to 22 are in accordance with:
  - (i) Australian Accounting Standards and other mandatory professional reporting requirements, and
  - (ii) present fairly the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date,
- (b) the Fund has been conducted 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 2020, and
- (c) 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 Directors of the Aracon Superannuation Pty Ltd (ABN 13 133 547 396), RSE License Number L0003384).



Director



Director

Melbourne  
25 September 2020

## 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 2020 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

Level 20, 181 William Street  
Melbourne VIC 3000  
Telephone: +61 3 9824 8555  
[williambuck.com](http://williambuck.com)



**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 2020 and the results of its operations and its cash flows for the year ended 30 June 2020.

A handwritten signature in blue ink that reads 'William Buck'.

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

A handwritten signature in blue ink that appears to be 'J. C. Luckins'.

**J. C. Luckins**  
Director

Dated this 25th day of September 2020

## INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND LIMITED ASSURANCE REPORT ON COMPLIANCE

### (A) APRA Reporting Forms Required Under Reporting Standards

Independent auditor's report to the trustee of The Aracon Superannuation Fund (ABN: 40 586 548 205) on forms required under APRA reporting standards:

SRF 533.0	Asset Allocation; and
SRF 540.0	Fees.

### Conclusion

Based on my limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to my attention that causes me to believe that the APRA reporting forms of The Aracon Superannuation Fund for the period ending 30 June 2020 are not prepared, in all material respects, in accordance with the APRA reporting standards.

### Basis for Conclusion

I have conducted a limited assurance engagement, in accordance with ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* (ASRE 2405) issued by AUASB, in order to state whether, on the basis of the procedures described, anything has come to my attention that causes me to believe that the relevant forms are not prepared, in all material respects, in accordance with the APRA reporting standards.

ASRE 2405 requires me to comply with the relevant professional and ethical requirements of the Standards issued by the Accounting Professional and Ethical Standards Board.

### Trustee's responsibility for forms required by APRA reporting standards

The RSE's trustee is responsible for the preparation and lodgement of the forms (**APRA reporting forms**) required by reporting standards, made under the *Financial Sector (Collection of Data) Act 2001*, as listed in Attachment B to *Prudential Standard SPS 310 Audit and Related Matters (APRA reporting standards)* and for such internal controls as the trustee determines to be necessary to enable the preparation of the APRA forms free from material misstatement, whether due to fraud or error. The APRA reporting forms have been prepared for the purposes of fulfilling the trustee's reporting requirements under the APRA reporting standards.

#### ACCOUNTANTS & ADVISORS

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## **INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND LIMITED ASSURANCE REPORT ON COMPLIANCE (CONT)**

### **Auditor's responsibility**

My responsibility is to express a conclusion, based on my limited assurance engagement, on the APRA reporting forms:

<i>SRF 533.0</i>	<i>Asset Allocation; and</i>
<i>SRF 540.0</i>	<i>Fees.</i>

of The Aracon Superannuation Fund, which comprise part of the information required by the APRA reporting standards for the year ended 30 June 2020.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for the relevant forms, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain assurance that I would become aware of all material matters that might be identified in a reasonable assurance engagement. Accordingly, I do not express a reasonable assurance opinion.

### **Basis of preparation and restriction on use and distribution**

Without modifying my conclusion, I draw to readers' attention that the APRA reporting forms have been prepared for the purpose of fulfilling the trustee's reporting responsibilities of the APRA reporting standards. As a result, they may not be suitable for another purpose. This report is intended solely for the trustee and APRA (and ASIC where applicable), and should not be distributed to or used by parties other than the trustee and APRA (and ASIC where applicable). I disclaim any assumption of responsibility for any reliance on this report, or the APRA reporting forms to which it relates, to any party other than the trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.

A handwritten signature in blue ink that reads 'William Buck'.

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

A handwritten signature in blue ink, appearing to be 'J.C. Luckins'.

**J.C. Luckins**  
Director

Dated this 25<sup>th</sup> day of September, 2020

## **INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND LIMITED ASSURANCE REPORT ON COMPLIANCE (CONT)**

### **(B) Compliance**

#### **Independent Assurance Practitioner's Limited Assurance report to the trustee of The Aracon Superannuation Fund Fund (ABN: 40 586 548 205)**

#### **Conclusion**

I have performed a limited assurance engagement under the reporting requirements specified in Australian Prudential Regulation Authority (APRA) *Prudential Standard SPS 310 Audit and Related Matters* (SPS 310), as described in the *Scope* section, paragraphs *Part A* to *Part C*, of this report.

*Part A - the trustee's systems, procedures and internal controls are designed to ensure that the trustee has complied with all applicable prudential requirements*

Based on the procedures I performed and evidence I obtained, nothing has come to my attention that causes me to believe that, in all material respects, the trustee did not have in place suitably designed systems, procedures and controls that operated effectively throughout the year of income to address compliance with all applicable Prudential Requirements.

*Part B - the trustee's systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards*

Based on the procedures I performed and evidence I obtained, nothing has come to my attention that causes me to believe that, in all material respects, the trustee did not have in place suitably designed systems, procedures and controls that operated effectively throughout the year of income and provided reliable data to APRA as required under the APRA reporting standards.

*Part C – Compliance with the RMF*

Based on the procedures I performed and evidence I obtained, nothing has come to my attention that causes me to believe that, for the period 1 July 2019 to 30 June 2020, the trustee did not comply, in all material respects, with its RMF.

#### **Basis for Conclusion**

I conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board.

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

## **INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND LIMITED ASSURANCE REPORT ON COMPLIANCE (CONT)**

### **Trustee's responsibility for compliance**

The trustee of The Aracon Superannuation Fund are responsible for:

- (a) the trustee's systems, procedures and internal controls that are designed to ensure that the trustee has complied with all applicable prudential requirements, has provided reliable data to APRA as required by the APRA reporting standards , and has operated effectively throughout the year of income;
- (b) the trustee's compliance with its risk management framework; and
- (c) the trustee's compliance with its operational risk financial requirement (ORFR) strategy.

### **Independence and Quality Control**

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

### **Independent Assurance Practitioner's responsibilities**

My responsibility is to perform a limited assurance engagement as required by SPS 310, described in *Scope* paragraphs *Part A* to *Part C* of this report, and to express a limited assurance conclusion based on the procedures I have performed and the evidence I have obtained.

My limited assurance engagement has been conducted in accordance with applicable AUASB Standards on Assurance Engagements, in order to express a limited assurance conclusion as described in *Scope* paragraphs *Part A* to *Part C* of this report. I have complied with the independence and other relevant ethical requirements relating to a limited assurance engagements.

The procedures I performed were based on my professional judgment and included enquiries of the trustee personnel and observation of material control procedures performed; inspection of documents; walk-throughs of material control procedures and evaluating the effectiveness of material control procedures throughout the year.

My audit of the financial statements and my reasonable and limited assurance engagements on the APRA reporting forms required under SPS 310 are directed towards obtaining sufficient appropriate evidence to form an opinion and conclusion under the appropriate prudential requirements. These procedures were not designed to enable me to conclude on other matters required by the APRA Prudential Standards. I have therefore performed assurance procedures in order to meet my responsibilities in relation to the design and operating effectiveness of material controls and compliance with specific requirements under the prudential requirements.

## **INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND LIMITED ASSURANCE REPORT ON COMPLIANCE (CONT)**

### **Inherent Limitations**

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with AUASB Standards on Assurance Engagements and consequently does not enable me to obtain assurance that I would become aware of all material matters that might be identified in a reasonable assurance engagement. Accordingly, I do not express a reasonable assurance opinion.

There are inherent limitations in any internal control structure, and fraud, error or noncompliance with laws and regulations may occur and not be detected. As the systems, procedures and controls to ensure compliance with APRA Prudential Requirements are part of the business operations of the trustee, it is possible that either the inherent limitations of the general internal control structure, or weaknesses in it, can impact on the effective operation of the specific control procedures of the trustee.

Furthermore, projections of any evaluation of internal control procedures or compliance measures to future periods are subject to the risk that control procedures may become inadequate because of changes in conditions, or that the degree of compliance may deteriorate. Consequently, there are inherent limitations on the level of assurance that can be provided.

Accounting records and data relied on for prudential reporting and compliance are not continuously audited and do not necessarily reflect accounting adjustments necessary for end of reporting period financial report preparation, or events occurring after the end of the reporting period.

The conclusions in this report expressed below are to be read in the context of the foregoing comments.

### **Emphasis of Matter - Basis of preparation of APRA reporting forms and restriction on use and distribution**

This report has been prepared solely for the trustee in order to meet the APRA reporting requirements of the trustee. This report is intended solely for the trustee and APRA (and ASIC where applicable), and should not be distributed to or used by parties other than the trustee and APRA (and ASIC where applicable). I disclaim any assumption of responsibility for any reliance on this report to any party other than the trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.

## **INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND LIMITED ASSURANCE REPORT ON COMPLIANCE (CONT)**

### **Scope**

*Part A - the trustee's systems, procedures and internal controls are designed and operate effectively to ensure that the trustee has complied with all applicable prudential requirements*

The procedures I performed during the period 1 July 2019 to 30 June 2020 as listed below were considered necessary in relation to the trustee's systems, procedures and controls that address compliance with all applicable Prudential Requirements. Prudential Requirements include requirements imposed by:

- (a) APRA Prudential Standards;
- (b) APRA reporting standards;
- (c) SIS Act and SIS Regulation;
- (d) APRA conditions on the trustee's licence or authorisation;
- (e) Directions issued by APRA under the *SIS Act 1993*; and
- (f) Other requirements imposed by APRA in writing (if applicable).

Through enquiries, observation and walk-throughs of material control procedures, the evidence I obtained is sufficient and appropriate to provide a basis for my conclusion.

*Part B - the trustee's systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards*

The procedures I have performed as listed below were considered necessary in relation to the trustee's systems, procedures and controls, for the period 1 July 2019 to 30 June 2020, to ensure that, in all material respects, reliable data is provided, as required by the APRA reporting standards.

Through enquiries, observation and walk-throughs of material control procedures, the evidence I obtained is sufficient and appropriate to provide a basis for my conclusion.

*Part C – Compliance with the Risk Management Framework (RMF)*

**INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND LIMITED ASSURANCE  
REPORT ON COMPLIANCE (CONT)**

The procedures I have performed as listed below were considered necessary in relation to the trustee's compliance, in all material respects, with its RMF, *as defined in Prudential Standard SPS 220 Risk Management* (SPS 220) for the period 1 July 2019 to 30 June 2020.

Through enquiry, observation and inspection of documents, the evidence I obtained is sufficient and appropriate to provide a basis for my conclusion.

A handwritten signature in blue ink that reads 'William Buck'.

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

A handwritten signature in blue ink, appearing to be 'J.C. Luckins'.

**J.C. Luckins**  
Director

Dated this 25<sup>th</sup> day of September, 2020



## INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND REASONABLE ASSURANCE REPORT ON COMPLIANCE

### (A) APRA Reporting Forms Required Under Reporting Standards

Independent auditor's report to the trustee of The Aracon Superannuation Fund  
(ABN: 40 586 548 205) on forms required under APRA reporting standards:

SRF 114.1	Operational Risk Financial Requirement;
SRF 320.0	Statement of Financial Position;
SRF 330.0	Statement of Financial Performance;
SRF 530.0	Investments;
SRF 531.0	Investment Flows.

### Opinion

In my opinion:

- a) the relevant forms are prepared in all material respects in accordance with the requirements of the APRA reporting standards, the financial position of The Aracon Superannuation Fund as at 30 June 2020 and its performance for the year then ended, as reflected in the RSE's financial statements signed on 25 September 2020 or accounting records with regard to other information that was not directly derived from the financial statements; and
- b) the trustee of The Aracon Superannuation Fund has complied in all material respects with the reporting requirements of the APRA reporting standards pertaining to the preparation of the APRA reporting forms.

### Basis for Opinion

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

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

### Trustee's responsibility for forms required by APRA reporting standards

The RSE's trustee is responsible for the preparation and lodgement of the forms (**APRA reporting forms**) required by reporting standards made under the *Financial Sector (Collection of Data) Act 2001*, as listed in Attachment B to *Prudential Standard SPS 310 Audit and Related Matters (APRA reporting standards)* and for such internal controls as the trustee determines to be necessary to enable the preparation of the APRA reporting forms free from material misstatement, whether due to fraud or error. The APRA reporting forms have been prepared for the purposes of fulfilling the trustee's reporting requirements under the APRA reporting standards.

#### ACCOUNTANTS & ADVISORS

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## **INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND REASONABLE ASSURANCE REPORT ON COMPLIANCE (CONT)**

### ***Auditor's responsibility***

My responsibility is to express an opinion on the APRA reporting forms required by the APRA reporting standards based on my reasonable assurance engagement. I have conducted a reasonable assurance engagement on the following APRA reporting forms:

<i>SRF 114.1</i>	<i>Operational Risk Financial Requirement;</i>
<i>SRF 320.0</i>	<i>Statement of Financial Position;</i>
<i>SRF 330.0</i>	<i>Statement of Financial Performance;</i>
<i>SRF 530.0</i>	<i>Investments;</i>
<i>SRF 531.0</i>	<i>Investment Flows;</i>

of The Aracon Superannuation Fund, which comprise part of the information required by the APRA reporting standards for the year ended 30 June 2020.

I have conducted a reasonable assurance engagement on the APRA reporting forms in order to express an opinion on them to the trustee of The Aracon Superannuation Fund.

I have also performed a reasonable assurance engagement on the financial statements of The Aracon Superannuation Fund for the year ended 30 June 2020. My auditor's opinion on the financial statements was signed on 25 September 2020 and was not modified.

A reasonable assurance engagement involves performing procedures to obtain sufficient appropriate evidence about the amounts and disclosures in the relevant forms. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the amounts and disclosures in the relevant forms, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trustee's preparation and presentation of the amounts and disclosures in the relevant forms in order to design reasonable assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal control.

A reasonable assurance engagement 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 amounts and disclosures in the relevant forms.

For the purpose of ensuring that the relevant forms are materially complete and accurate and are in accordance with the relevant prudential reporting standards, my procedures included testing that the information in the relevant forms is consistent with the financial statements for year ended 30 June 2020. In addition, and for the same purpose, in regard to other information reported in the relevant forms, I examined on a test basis, evidence supporting the amounts and other disclosures in the relevant forms that were not directly derived from the financial statements.

**INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND REASONABLE ASSURANCE REPORT ON COMPLIANCE (CONT)**

***Emphasis of Matter - Basis of preparation of APRA reporting forms and restriction on use and distribution***

Without modifying my opinion, I draw to the readers' attention that the APRA reporting forms have been prepared for the purpose of fulfilling the trustee's reporting responsibilities under the APRA reporting standards. As a result, they may not be suitable for another purpose. This report is intended solely for the trustee and APRA (and ASIC where applicable), and should not be distributed to or used by parties other than the trustee and APRA (and ASIC where applicable). I disclaim any assumption of responsibility for any reliance on this report, or the APRA reporting forms to which it relates, to any party other than the trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.

A handwritten signature in blue ink that reads "William Buck".

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

A handwritten signature in blue ink, appearing to be "J.C. Luckins".

**J.C. Luckins**  
Director

Dated this 25<sup>th</sup> day of September, 2020

## **INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND REASONABLE ASSURANCE REPORT ON COMPLIANCE (CONT)**

### **(B) Compliance**

**Independent Assurance Practitioner's report to the trustee of The Aracon Superannuation Fund (ABN: 40 586 548 205)**

#### **Opinion**

I have performed a reasonable assurance engagement to provide an opinion in relation to the trustee's compliance with applicable provisions under the *Superannuation Industry (Supervision) Act 1993* (SIS Act), *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations), APRA reporting standards, *Corporations Act 2001* (Corporations Act) and *Corporations Regulations 2001* (Corporations Regulations).

In my opinion the *trustee* of The Aracon Superannuation Fund *has* complied, in all material respects with:

- a) The requirements of the applicable SIS Act and SIS Regulations, APRA reporting standards, Corporations Act and Corporations Regulations specified above for the year ended 30 June 2020.
- b) The requirement to maintain an operational risk reserve at the required target amount in accordance with its ORFR strategy.

#### **Basis for Opinion**

I conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board.

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

#### ***Trustee's responsibility for compliance***

The RSE's trustee is responsible for complying with the requirements of the SIS Act, SIS Regulations, APRA reporting standards, the Corporations Act and Corporations Regulations.

The trustee is responsible, under Prudential Standard SPS 114 Operational Risk Financial Requirement (SPS 114), for maintaining financial resources at the required target amount in accordance with its Operational Risk Financial Requirement (ORFR) strategy. The financial resources held to meet the ORFR target amount must be held either as:

- (a) an operational risk reserve within an RSE;
- (b) operational risk trustee capital held by the RSE licensee; or
- (c) a combination of both an operational risk reserve held within an RSE and operational risk trustee capital held by the RSE licensee.

## **INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND REASONABLE ASSURANCE REPORT ON COMPLIANCE (CONT)**

### ***Independence and Quality Control***

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

### ***Independent Assurance Practitioner's responsibilities***

My responsibility is to express an opinion on the trustee's compliance with the requirements of the SIS Act, SIS Regulations, APRA reporting standards, Corporations Act and Corporation Regulations based on the reasonable assurance engagement. My reasonable assurance engagement has been conducted in accordance with applicable AUASB Standards on Assurance Engagements. These Standards require that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance whether the *trustee* of The Aracon Superannuation Fund has, in all material respects:

- a) complied with the relevant requirements of the following provisions (to the extent applicable) of the SIS Act and SIS Regulations:

Sections 29VA, 35A, 65, 66, 67, 95, 97, 98, 99F, 101, 105, 106, 109, 117, 154 and 155(2);

Regulations 3.10, 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 13.14, 13.17, 13.17A;

- b) complied with the APRA reporting standards that are subject to reasonable assurance (to the extent applicable);

## **INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND REASONABLE ASSURANCE REPORT ON COMPLIANCE (CONT)**

- c) complied with the relevant requirements of the following provisions of the Corporations Act and Corporation Regulations (to the extent applicable):

Sections 1012B, 1012F, 1012H(2), 1012I, 1013B, 1013D, 1013K(1), 1013K(2), 1016A(2), 1016A(3), 1017B(1), 1017B(5), 1017BA, 1017C(2), 1017C(3), 1017C(5), 1017C(8), 1017D(1), 1017D(3), 1017D(3A), 1017DA(3), 1017E(2), 1017E(3), 1017E(4), 1020E(8) and 1020E(9);

Regulations 7.9.07Q–7.9.07W, 7.9.11K, 7.9.11N, 7.9.11O, 7.9.11P, 7.9.11Q, 7.9.32(3), 7.9.48B, 7.9.48C and 7.9.48D; and

- d) complied with the requirement to prepare the respective forms required by the APRA reporting standards;

for the year ended 30 June 2020.

My procedures with respect to SIS Regulation 6.17 included testing whether amounts identified by the trustee as preserved and restricted non-preserved have been cashed or transferred only in accordance with the requirements of Part 6 of the SIS Regulations. These procedures did not include testing of the calculation of the preserved and restricted non-preserved amounts beyond a broad assessment of the apparent reasonableness of the calculations.

My responsibility is also to express an opinion on the trustee's compliance with the respective Conditions of the '*Schedule – additional conditions imposed under Section 29EA of the Act*' of the RSE Licence issued by APRA referred to under the heading Trustee's Responsibility for Compliance, above of The Aracon Superannuation Fund for the year ended 30 June 2020.

My responsibility is also to express an opinion on the trustee's compliance with their ORFR strategy with respect to maintaining an operational risk reserve at the required target amount for the year ended 30 June 2020.

My procedures in relation to SIS Section 155(2) included assessing the trustee's controls in place to monitor compliance with Section 155(2). These procedures did not include testing the trustee's methodology used to calculate the issue or redemption price.

### ***Inherent limitations***

Due to the inherent limitations of any evidence gathering procedures and the internal control framework, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non-compliance with the applicable SIS Act and SIS Regulations, APRA reporting standards, Corporations Act and Corporations Regulations specified above, as a reasonable assurance engagement is not performed continuously throughout the [period] and the procedures performed in respect of compliance with the applicable SIS Act and SIS Regulations, APRA reporting standards, Corporations Act and Corporations Regulations specified above are undertaken on a test basis.

**INDEPENDENT AUDITOR'S REPORT ON APRA REPORTING FORMS AND REASONABLE  
ASSURANCE REPORT ON COMPLIANCE (CONT)**

***Emphasis of Matter - Basis of Preparation of APRA reporting forms and restriction on use and  
distribution***

This report has been prepared solely for the trustee in order to meet the APRA reporting requirements of the trustee. This report is intended solely for the trustee and APRA (and ASIC where applicable), and should not be distributed to or used by parties other than the trustee and APRA (and ASIC where applicable). I disclaim any assumption of responsibility for any reliance on this report to any party other than the trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.

A handwritten signature in blue ink that reads "William Buck".

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

A handwritten signature in blue ink, appearing to be "J.C. Luckins".

**J.C. Luckins**  
Director

Dated this 25<sup>th</sup> day of September, 2020