

**HOSTPLUS POOLED SUPERANNUATION
TRUST FINANCIAL STATEMENTS
30 JUNE 2018**

Registered Address of the trustee is
Host-Plus Pty. Limited
Level 9
114 William Street
MELBOURNE VIC 3000

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**HOSTPLUS POOLED SUPERANNUATION TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 \$	2017 \$
Assets			
Investments			
Financial assets held at fair value through profit or loss:			
Cash and term deposits		135,791,287	484,958,812
Fixed interest securities		2,532,104,418	2,295,292,899
Equities		15,600,233,061	10,113,386,638
Managed funds		15,011,763,678	11,368,804,961
Derivative assets		68,286,853	140,591,747
Total Investments		33,348,179,297	24,403,035,057
Other Assets			
Cash and cash equivalents		915,933,167	679,613,970
Deposits held with brokers for margin		17,470,143	8,739,531
Unsettled investment redemptions		125,546,229	40,470,138
Other receivables	3	192,599,522	174,941,255
Tax receivable - current		33,708,587	9,769,925
Total Other Assets		1,285,257,648	913,534,819
Total Assets		34,633,436,945	25,316,569,876
Liabilities			
Accounts payable	4	60,308,677	48,365,626
Deposits held with brokers for margin		18,307,845	16,742,950
Unsettled investment applications		158,358,548	160,106,944
Derivative liabilities		238,857,957	35,183,946
Deferred tax liability	9	409,113,583	243,063,811
Total liabilities		884,946,610	503,463,277
Net Assets		33,748,490,335	24,813,106,599
Equity			
Unitholder funds	5	33,711,856,909	24,787,237,136
Reserves	6	36,633,426	25,869,463
Total Equity		33,748,490,335	24,813,106,599

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

**HOSTPLUS POOLED SUPERANNUATION TRUST
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	30 Jun 18 \$	30 Jun 17 \$
Investment revenue			
Interest		98,254,627	80,313,425
Dividends and distributions		1,528,402,420	1,244,377,620
Changes in fair value of investments	7	2,016,033,122	1,610,201,799
Other income		13,964,391	14,299,431
Investment expenses		(117,920,557)	(104,034,539)
Total net investment income/(loss)		<u>3,538,734,003</u>	<u>2,845,157,736</u>
Other revenue			
Sundry Income		2,874,621	2,216,286
Total other revenue		<u>2,874,621</u>	<u>2,216,286</u>
Total revenue from ordinary activities		<u>3,541,608,624</u>	<u>2,847,374,022</u>
Expenses from ordinary activities			
Administration and other expenses		770,825	863,862
Total expenses from ordinary activities		<u>770,825</u>	<u>863,862</u>
Operating profit/(loss) before income tax		<u>3,540,837,799</u>	<u>2,846,510,160</u>
Income tax expense/(benefit)	9	256,318,920	237,588,975
Profit/(loss) for the year		<u>3,284,518,879</u>	<u>2,608,921,185</u>
Other comprehensive income		-	-
Total comprehensive income		<u>3,284,518,879</u>	<u>2,608,921,185</u>

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

**HOSTPLUS POOLED SUPERANNUATION TRUST
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

		2018	
	Unitholder funds	Reserves	
Note	\$	\$	
		Total	
		\$	
Total equity at the beginning of the year	24,787,237,136	25,869,463	24,813,106,599
Profit for the year	3,278,854,916	5,663,963	3,284,518,879
Other comprehensive income	–	–	–
Total comprehensive income for the year	28,066,092,052	31,533,426	28,097,625,478
Transactions with owners in their capacity as owners			
Applications	6,053,926,558	–	6,053,926,558
Redemptions	(408,161,701)	–	(408,161,701)
	5,645,764,857	–	5,645,764,857
Transfer to reserves	–	5,100,000	5,100,000
Balance at 30 June 2018	5/6 33,711,856,909	36,633,426	33,748,490,335

		2017	
	Unitholder funds	Reserves	
Note	\$	\$	
		Total	
		\$	
Total equity at the beginning of the year	20,027,977,403	21,591,934	20,049,569,337
Profit for the year	2,604,643,656	4,277,529	2,608,921,185
Other comprehensive income	–	–	–
Total comprehensive income for the year	22,632,621,059	25,869,463	22,658,490,522
Transactions with owners in their capacity as owners			
Applications	2,433,033,083	–	2,433,033,083
Redemptions	(278,417,006)	–	(278,417,006)
	2,154,616,077	–	2,154,616,077
Transfer to reserves	–	–	–
Balance at 30 June 2017	5/6 24,787,237,136	25,869,463	24,813,106,599

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

**HOSTPLUS POOLED SUPERANNUATION TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Year Ended 30 Jun 18	Year Ended 30 Jun 17
Note	\$	\$
Cash flows from operating activities		
Proceeds from sale of investments	15,334,690,580	9,047,443,666
Purchase of investments	(22,150,344,548)	(11,983,177,521)
Interest	94,122,287	77,260,733
Dividends and distributions	1,505,341,866	1,239,236,610
Other income	11,495,599	16,875,463
Tax instalments received/(paid)	(114,207,809)	(93,124,370)
Direct Investment expenses	(106,728,048)	(83,851,013)
Total cash flows from operating activities	10 (5,425,630,073)	(1,779,336,432)
Cash flows from financing activities		
Proceeds from application by unitholders	6,064,991,056	2,368,733,083
Payments for redemptions by unitholders	(408,140,134)	(278,417,006)
Transfers in/(out) of reserves	5,100,000	-
Total cash flows from financing activities	5,661,950,922	2,090,316,077
Net increase/(decrease) in cash at bank	236,320,849	310,979,645
Effect of exchange rate changes on the balance of foreign currencies	(1,652)	(783,938)
Cash at bank at the beginning of the year	679,613,970	369,418,263
Cash at bank at the end of the year	915,933,167	679,613,970

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

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 1. GENERAL INFORMATION

Hostplus Pooled Superannuation Trust ('the Trust') is an APRA registrable superannuation entity, initially established by a Trust Deed dated 7 February 2014.

The Trust aims to generate significant long-term capital growth for its investors, in accordance with the objectives and risk management framework established by the Trust's Trustee. The Trust aims to achieve these objectives by trading a highly diversified portfolio of assets within an approved strategic asset allocation determined by the Trustee.

The Trustee of the Trust is Host-Plus Pty. Limited and it is the holder of a public offer class of Registrable Superannuation Entity License. The Trustee's registered office is 114 William Street, Melbourne, Victoria 3000.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the Corporations Act 2001 in Australia. They also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements are presented in Australian Dollars and have been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

(b) Financial instruments

(i) Classification

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

- Financial instruments held for trading, which includes the Trust's derivative assets and liabilities; and
- Financial instruments designated at fair value through profit or loss upon initial recognition, which includes the Trust's cash and term deposits, fixed interest securities, equities and managed funds.

(ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to a contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

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

(iii) Measurement

At initial recognition, the Trust measures a financial asset or liability at its fair value. Transaction costs are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, gains and losses arising from changes in the fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

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

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Trust is the current bid price and the quoted market price for financial liabilities is the current asking price.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

The fair value of financial assets and liabilities that are traded in an inactive or unquoted market are determined by either:

- The redemption value, as reported by the external investment manager; or
- By using valuation techniques conducted by an external professional valuer.

For further details on how the fair values of financial instruments are determined please see Note 11(e) to the financial statements.

(c) 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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to Note 12 of the financial statements for further information.

(d) Derivatives

The Trust enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps. Refer to Note 12 of the financial statements for further information.

(e) Cash and cash equivalents

For cash flow statement presentation purposes, 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.

(f) Income tax

The Trust is eligible for concessional tax treatment as it is a regulated Trust and has complied with the relevant provisions of the Superannuation Industry (Supervision) Act 1993 and Regulations.

Investment income is taxed at 15% after allowance for deductions. Any tax credits available from investment managers have been brought to account in determining the final tax liability of the Trust.

Section 295-260 of the Income Tax Assessment Act 1997 enables a complying superannuation fund which has an investment in a pooled superannuation trust to transfer the liability for tax on assessable contributions to the pooled superannuation trust provided certain conditions are met. The Trust intends to enter into an agreement with one of its investors, Hostplus Superannuation Fund to enable a transfer of assessable contributions earned by the Fund in the year ended 30 June 2018 to the Trust.

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. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

Deferred tax

Deferred tax is accounted for using the 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 which affects neither taxable income nor accounting profit.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income tax (continued)

Deferred tax (continued)

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 Trust expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(g) Other receivables and payables

Other receivables are recognised at the amounts receivable, which approximate fair value. Payables represent liabilities for goods and services provided to the Trust prior to the end of the financial year and which remain unpaid. The amounts are unsecured. Other debtors and creditors are subject to normal trade credit terms.

(h) 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, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Trust will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(i) Redeemable units

The Trust issues redeemable units, which are redeemable at the unit holder's option and are classified as equity in accordance with the AASB 132 *Financial Instruments: Presentation* as amended by AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments Arising on Liquidation*.

Should the terms or conditions of the redeemable units change such that they no longer comply with the criteria for classification as equity in the revised AASB 132, the redeemable units would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying amount of the equity instrument and the fair value of the liability at the date of reclassification would be recognised in equity.

Redeemable units can be returned to the Trust at any time for cash equal to a proportionate share of the Trust's net asset value.

The consideration received or paid for units is based on the value of the Trust's net asset value per redeemable unit at the date of the transaction. In accordance with the provisions of the Trust's Deed, investment positions are valued based on the last traded market price, net of transaction costs, for the purpose of determining the Trust's net asset value for unit purposes. The Trust's net asset value per unit is calculated by dividing the Trust's net assets by the total number of outstanding units.

(j) Revenue

Investment revenue is brought to account on an accruals basis. Dividends on quoted shares are deemed to accrue on the date the dividend is declared. Distributions from managed funds are deemed to accrue to the extent the price has gone ex-distribution as at reporting date. Changes in the fair value of assets are recognised in the Statement of Comprehensive Income in the periods in which they occur.

(k) Goods and Services Tax (GST)

Where applicable GST incurred by the Trust that is not recoverable from the Australian Taxation Office, has been recognised as part of the expense to which it applies. Receivables and payables are stated with any applicable GST included in their carrying amounts.

The amount of any GST recoverable from, or payable to, the Australian Taxation Office is included as an asset or liability in the Statement of Financial Position.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Significant accounting judgments, estimates and assumptions

The preparation of the Trust's financial statements requires judgments, estimates and assumptions that affect the amounts recognised in the financial statements. Estimates and judgments are reviewed on an ongoing basis.

(m) Accounting standards and interpretations

(i) New accounting standards that are applicable for mandatory adoption in the current year:

AASB 9 Financial Instruments (and applicable amendments) (effective from 1 January 2018)

AASB 9 Financial Instruments (and applicable amendments), (effective from 1 January 2018) AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is effective for annual reporting periods beginning on or after 1 January 2018. The Trust has decided to adopt AASB 9. The directors do not expect this to have a significant impact on the recognition and measurement of financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements, and the Trust does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Trust's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Trust.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 3. OTHER RECEIVABLES

	Year Ended 30 Jun 18	Year Ended 30 Jun 17
	\$	\$
Accrued dividends and distributions	93,757,163	70,696,603
Accrued fixed income interest	560,154	321,162
Accrued bank interest	36,146	34,029
Accrued other income	9,810,557	4,389,461
Investor subscriptions receivable	88,435,502	99,500,000
Total other receivables	192,599,522	174,941,255

NOTE 4. ACCOUNTS PAYABLE

	Year Ended 30 Jun 18	Year Ended 30 Jun 17
	\$	\$
Management fees	60,177,178	48,248,096
Investor redemptions payable	21,567	-
Audit and tax	109,932	117,530
Total accounts payable	60,308,677	48,365,626

NOTE 5. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Year Ended 30 Jun 18 Units	Year Ended 30 Jun 17 Units	Year Ended 30 Jun 18 \$	Year Ended 30 Jun 17 \$
Hostplus Superannuation Fund				
Opening Balance	19,587,637,075	17,817,223,313	24,787,237,136	20,027,977,403
Applications	4,473,102,439	1,999,492,848	6,053,522,278	2,433,033,083
Redemptions	(304,920,397)	(229,079,086)	(408,161,701)	(278,417,006)
Increase in net assets attributable to unitholders	-	-	3,278,799,835	2,604,643,656
Closing Balance	23,755,819,117	19,587,637,075	33,711,397,617	24,787,237,136
Other Investors				
Opening Balance	-	-	-	-
Applications	399,181	-	404,280	-
Redemptions	(105)	-	(69)	-
Increase in net assets attributable to unitholders	-	-	55,081	-
Closing Balance	399,076	-	459,292	-

The rights attached between the units are not the same due to different fee structures.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 6. RESERVES

The Trustee maintains the following reserves for the purposes described below:

Administration reserve - is separately maintained to manage the receipt of administration fees paid by investors and the payment of Trust administration and other expenses.

Operational Risk Financial Requirement ('ORFR') reserve - is separately maintained to ensure the Trust has access to adequate financial resources in the event of losses arising from an operational risk event. The Trust has an approved ORFR policy detailing what constitutes an operational risk event and how the ORFR reserve is accessed (if an operational risk event occurs). The policy also provides that the target balance of the ORFR reserve is 10 basis points of the Trust's Net Assets.

The Trust held the following reserves as at 30 June 2018 and 30 June 2017:

2018

	Administration Reserve	Operational Risk Financial Requirement Reserve	Total
	\$	\$	\$
Opening Balance	4,224,983	21,644,480	25,869,463
Revenue	3,496,737	2,938,051	6,434,788
Expenditure	(770,825)	-	(770,825)
Transfer between reserves	-	-	-
Transfer to reserves	-	5,100,000	5,100,000
Closing Balance	6,950,895	29,682,531	36,633,426

2017

	Administration Reserve	Operational Risk Financial Requirement Reserve	Total
	\$	\$	\$
Opening Balance	2,482,757	19,109,177	21,591,934
Revenue	2,606,088	2,535,303	5,141,391
Expenditure	(863,862)	-	(863,862)
Transfer between reserves	-	-	-
Transfer to reserves	-	-	-
Closing Balance	4,224,983	21,644,480	25,869,463

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 7. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Year Ended 30 Jun 18	Year Ended 30 Jun 17
	\$	\$
Financial assets		
Net gain/(loss) on financial assets held for trading	224,960,225	451,737,989
Net gain/(loss) on financial assets designated at fair value through profit or loss	2,472,153,855	1,378,626,940
Net gain/(loss) on financial assets held at fair value through profit or loss	2,697,114,080	1,830,364,929
Net realised gain/(loss) on financial assets at fair value through profit or loss	509,501,389	938,050,405
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	2,187,612,691	892,314,524
Net gain/(loss) on financial assets held at fair value through profit or loss	2,697,114,080	1,830,364,929
Financial liabilities		
Net realised gain/(loss) on financial liabilities held for trading	(482,781,634)	(454,113,160)
Net unrealised gain/(loss) on financial liabilities held for trading	(198,299,324)	233,950,030
Net gain/(loss) on financial liabilities held for trading	(681,080,958)	(220,163,130)
Total net gain/(loss) on financial instruments held at fair value through profit or loss	2,016,033,122	1,610,201,799

NOTE 8. COLLECTIVE INVESTMENTS

Host-Plus Pty. Limited is the Trustee for both the Hostplus Superannuation Fund ('Fund') and the Hostplus Pooled Superannuation Trust ('Trust'), collectively known as 'Hostplus'. The Fund uses the Trust as its primary investment vehicle. Hostplus invests in a number of entities, known as 'collective entities' that provide the Fund and the Trust with administration or investment services. The other investors in these collective entities include a number of other industry superannuation funds. All transactions with collective entities are based on normal commercial terms and arrangements.

During the year, Hostplus transacted with the following collective entities.

Industry Super Holdings Pty Ltd and subsidiaries

Hostplus has a 10.53% (2017: 9.47%) shareholding in Industry Super Holdings Pty Ltd ('ISH'). ISH and its subsidiaries provide a range of services and investment products to Hostplus and other institutional clients.

As at 30 June 2018, Hostplus' investment in ISH was valued at \$95.1m (2017: \$66.3m). Total income earned by Hostplus from this Investment for the year ended 30 June 2018 was \$22.1m (2017: \$11.0m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 8. COLLECTIVE ENTITIES (continued)

Industry Super Holdings Pty Ltd and subsidiaries (continued)

During the year, Hostplus engaged several ISH subsidiaries to provide a range of services and investment products, as follows:

- IFM Investors Pty Ltd ('IFM') manages a selection of infrastructure, listed equity, private equity, fixed interest and cash portfolios on behalf of Hostplus totalling \$6,739.0m as at 30 June 2018 (2017: \$4,832.3m). Total income earned on the portfolios managed by IFM was \$573.1m (2017: \$347.5m). Direct and indirect fees of \$11.4m (2017: \$12.6m) were charged for the investment management of these portfolios. IFM received fees of \$10.6m (2017: \$10.3m) with the remaining \$0.9m (2017: \$2.3m) being indirectly charged by managers in underlying investment structures. All transactions were made on normal commercial terms, under normal conditions and at market rates.
- Industry Fund Services Ltd ('IFS') provides the Fund financial planning and debt collection services. Total fees paid to IFS for the year ended 30 June 2018 were \$0.9m (2017: \$0.7m). All transactions were made on normal commercial terms, under normal conditions and at market rates.
- IFS Insurance Solutions Pty Ltd ('IFS Insurance') provides the Fund with insurance brokerage services. Total fees paid to IFS Insurance for the year ended 30 June 2018 were \$0.03m (2017: \$0.03m). All transactions were made on normal commercial terms, under normal conditions and at market rates.
- Industry Super Australia Pty Ltd ('ISA') provides the Fund with marketing and lobbying services. Total fees paid to ISA for the year ended 30 June 2018 were \$4.4m (2017: \$3.7m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

Industry Super Property Trust

Industry Super Property Trust ('ISPT') manages unlisted property trusts on behalf of Hostplus and other institutional clients. Hostplus' investments include property trusts totalling \$1,786.1m (2017: \$1,435.9m). ISPT received \$4.8m (2017: \$3.8m) in fees for the management of these trusts. The income earned on this portfolio was \$214.0m (2017: \$154.1m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

ME Bank

Hostplus' investments include a 14.81% (2017: 12.68%) shareholding in ME Bank. ME Bank offer and provide banking products to the members of the Fund at the members' discretion. As at 30 June 2018, Hostplus' investment in ME Bank was valued at \$190.9m (2017: \$139.4m). Total income earned by Hostplus from this investment for the year ended 30 June 2018 was a gain of \$28.1m (2017: loss of \$2.1m). All transactions were made on normal commercial terms, under normal conditions and at market rates. As at 30 June 2018, Hostplus had \$9.6m (2017: \$9.6m) outstanding commitments.

Hostplus also invests in the Super Loans Trust ('SLT'), a fixed interest vehicle managed by ME Bank. As at 30 June 2018, Hostplus' investment in the SLT was valued at \$18.0m (2017: \$31.3m). Total income earned by Hostplus from this Investment for the year ended 30 June 2018 was \$1.5m (2017: \$3.7m). ME Bank received \$0.04m (2017: \$0.04m) in fees from the management of Hostplus' investment. All transactions were made on normal commercial terms, under normal conditions and at market rates.

Term deposits held with ME Bank on behalf of ChoicePlus members within the Fund as at 30 June 2018 were \$19.3m (2017: \$9.4m). Term deposit income earned on behalf of Fund members for the year ended 30 June 2018 was \$0.31m (2017: \$0.23m). The ChoicePlus product also operates a cash account with ME Bank, which as at 30 June 2018 had a balance of \$56.3m (2017: \$34.3m). The cash account earned \$1.1m (2017: \$0.5m) of interest in the year ended 30 June 2018.

Hostplus also holds negotiable certificates of deposits with ME Bank. As at 30 June 2018, the value of the negotiable certificates of deposits were \$177.3m (2017: \$173.0m). Total income earned by Hostplus from this investment for the year ended 30 June 2018 was \$4.2m (2017: \$3.1m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

During the year ME Bank exercised its call option and redeemed the \$3.0m Subordinated Notes held by Hostplus. Total income earned by Hostplus from this investment for the year ended 30 June 2018 was \$0.06m (2017: \$0.2m). All transactions were made on normal commercial terms, under normal conditions and at market rates.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 9. INCOME TAX EXPENSE

Income tax expense in the Statement of Comprehensive Income represents the tax on the benefits accrued as a result of operations before income tax, adjusted for permanent differences. The tax effect of temporary differences, which occur where items are allowed for income tax purposes in a period different from that in which they are recognised in the accounts, is included in the provisions for deferred tax liability or deferred tax asset, as applicable, at current taxation rates.

	Year Ended 30 Jun 18	Year Ended 30 Jun 17
(a) Income tax expense	\$	\$
Current income tax expense	111,732,726	102,864,550
Adjustments in respect of current income tax of previous years	(21,463,578)	(22,707,868)
Deferred tax expense	166,049,772	157,432,293
	256,318,920	237,588,975

Deferred income tax (income)/expenses included in income tax expenses comprises:

Decrease/(increase) in deferred tax liabilities	166,049,772	157,432,293
	166,049,772	157,432,293

Numerical reconciliation of income tax expense to prima facie tax payable

Profit before income tax	3,540,837,799	2,846,510,160
Tax at the applicable Australian tax rate of 15%	531,125,670	426,976,524
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Imputation credit and other tax credits	16,613,251	12,359,694
Exempt pension income	(15,200,000)	(16,000,000)
Non assessable investment income	(144,001,418)	(80,641,413)
	(142,588,167)	(84,281,719)
Income tax expense	388,537,503	342,694,805
Imputation credits	(110,755,005)	(82,397,962)
Under/(Over) provision in prior year	(21,463,578)	(22,707,868)
Income tax expense	256,318,920	237,588,975

(b) Deferred tax assets and liabilities

Deferred income tax relates to the following:

Deferred income tax liabilities

Unrealised gains on investments subject to CGT	435,919,013	232,374,375
Other	(26,805,430)	10,689,436
	409,113,583	243,063,811

(c) Current tax asset and liability

The current tax asset for the Trust is \$33,708,587 (2017 – current tax asset \$9,769,925) represents the amount of income tax receivable in respect of current and prior periods. There is no amount recognized as receivable from the Fund to the Trust.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 10. NOTES TO THE STATEMENT OF CASH FLOWS

	Year Ended 30 Jun 18	Year Ended 30 Jun 17
	\$	\$
(a) Reconciliation of cash		
The figure shown for cash in the Statement of Cash Flows consists of:		
Cash at bank	915,933,167	679,613,970
	<hr/>	<hr/>
(b) Reconciliation of profit / (loss) to net cash inflow / (outflow) from operating activities		
Profit / (loss) for the year	3,284,518,879	2,608,921,185
Proceeds from sale of financial instruments held at fair value through profit or loss	15,334,690,580	9,047,443,666
Purchase of financial instruments held at fair value through profit or loss	(22,150,344,548)	(11,983,177,521)
Change in fair value of investments	(2,016,033,122)	(1,610,201,799)
(Increase) / decrease in assets		
Net change in receivables and other assets	(32,536,313)	(7,833,962)
Increase / (decrease) in liabilities		
Net change in payables and other liabilities	11,963,341	21,047,394
Deferred tax liabilities	166,049,772	157,432,293
Income tax payable	(23,938,662)	(12,967,688)
	<hr/>	<hr/>
Net cash inflow / (outflows) from operating activities	(5,425,630,073)	(1,779,336,432)

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT

The Trust's assets predominantly consist of a range of financial instruments in various asset classes including cash, diversified fixed interest, Australian equities, international equities, property, infrastructure, private equity and alternative assets as per the strategic allocation set by the Board. The type of financial instruments held within each asset class are either held directly in the form of equity or debt type financial instruments or indirectly through collective investment vehicles.

Risk is inherent in the Trust's activities and is actively managed through the Trustee's Risk Management Framework as further described below. Depending on the type of financial instrument held (direct or indirect), the Trust is exposed to a variety of financial risks such as market risk (including currency, interest rate and price risk), credit risk and liquidity risk. This note represents information about the Trust's exposure to each of the above risks and the Trustee's objectives, policies and processes for measuring and managing that risk.

The Trustee is responsible for setting, monitoring and revising the investment strategy of the Trust, including the allocation of investments amongst various asset classes. The Trustee is also responsible for the appointment of various investment managers for each asset class via an investment manager mandate or through holding a collective investment vehicle. Investment manager mandates reflect the target asset allocation determined by the Trustee as well as the level of financial risk which the Trustee is willing to accept. Where an investment manager of a collective investment vehicle is appointed, the Trustee will have regard to the investment manager's investment strategy and the associated risks of the collective investment vehicle.

The Trustee has overall responsibility for the establishment and oversight of its Risk Management Framework. The Trustee's risk management policies are established to:

- Identify and analyse the risks faced by the Trust, including those risks arising from holding financial instruments;
- Set appropriate risk limits and controls; and
- Monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Trust's activities. The risk framework is documented in the Trustee's Risk Management Framework which is subject to regular review both by Management and the Board including an annual audit of compliance.

The Trustee receives regular reports concerning the performance and activities of the Trust's investment managers from the Trustee's investment advisor and custodian. Divergence from target asset allocations and the composition of the portfolio is also monitored by the Trustee. Reports received by the Trustee include:

- Current asset allocations against target positions;
- Performance against benchmarks; and
- Investment manager compliance reporting against the investment manager mandate.

The Trust also utilises derivative financial instruments such as futures, options, swaps and forward foreign exchange contracts to manage market movement, currency risk and to also effect a change in the asset mix of the portfolio. The use of derivatives is subject to specified limits and gearing is not permitted.

The Trustee undertakes extensive due diligence to ensure fund managers have appropriate skills and expertise to manage the funds allocated prior to their appointment. The Trustee has appointed JANA Investment Advisers to provide external expert advice regarding asset allocation, the selection of investment managers and the management of the Trust's investment portfolio in accordance with the Trustee's Investment Strategy.

The Trustee's Audit, Risk and Compliance Committee oversees how management monitors compliance with the Trustee's risk management policies and procedures and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Trust, including investment related risks. The Committee reports directly to the Board.

Concentrations of risk arise when the number of financial instruments or contracts entered into are with the same counterparty, or when a number of counterparties are engaged in similar business activities, have activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Such risks are managed through the regular review and reporting of exposures and concentrations to ensure risk remains within acceptable levels in accordance with the overall mandate of each investment manager.

The Hostplus investment department regularly tracks the value of the Trust's investments through monitoring of market conditions, relevant benchmarks and indices and review of regular reports provided by the custodian, investment advisers and investment managers.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

Market risk is the risk that fair value or 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.

To mitigate market risk, the Trustee undertakes extensive due diligence to ensure fund managers have appropriate skills and expertise to manage the Trust's allocated investment prior to their appointment. Further, the Hostplus investment department tracks investment valuations on a daily basis through appropriate monitoring of the market conditions and benchmark analysis.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Trust is exposed to foreign currency risk on financial instruments that are denominated in a currency other than Australian dollars, the functional currency of the Trust. Foreign exchange risk on all foreign currency denominated assets and liabilities is regularly monitored and managed against pre-determined limits and asset allocations.

The Trust holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. Only fixed interest securities and derivatives are monetary assets and have exposure to currency risk.

Sensitivity analysis

Following analysis of historical data over 10 years by the Trustee's investment adviser, and assuming all other variables remain constant, the Trust has adopted a volatility factor for currency risk of 10% (2017: 10%) on the assumption that the Australian dollar will weaken / strengthen against each other currency to which the Trust is exposed. This represents management's best estimate of a reasonably possible shift in exchange rates having regard to historical data and is not guaranteed as actual results may vary from management's reasonably possible estimate.

An increase or decrease in foreign exchange rates would have impacted Net Assets and Profit/Loss for the year by the amounts shown below.

2018

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
		-10.00%	10.00%	-10.00%	10.00%
USD	7,952,512,659	(675,963,576)	675,963,576	(675,963,576)	675,963,576
JPY	356,787,230	(30,326,915)	30,326,915	(30,326,915)	30,326,915
EUR	801,833,892	(68,155,881)	68,155,881	(68,155,881)	68,155,881
GBP	645,750,252	(54,888,771)	54,888,771	(54,888,771)	54,888,771
SGD	335,990,305	(28,559,176)	28,559,176	(28,559,176)	28,559,176
Other	2,534,115,358	(215,399,805)	215,399,805	(215,399,805)	215,399,805
	12,626,989,696	(1,073,294,124)	1,073,294,124	(1,073,294,124)	1,073,294,124

2017

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
		-10.00%	10.00%	-10.00%	10.00%
USD	5,091,835,811	(432,806,044)	432,806,044	(432,806,044)	432,806,044
JPY	201,668,484	(17,141,821)	17,141,821	(17,141,821)	17,141,821
EUR	587,483,358	(49,936,085)	49,936,085	(49,936,085)	49,936,085
GBP	383,693,666	(32,613,962)	32,613,962	(32,613,962)	32,613,962
SGD	300,449,398	(25,538,199)	25,538,199	(25,538,199)	25,538,199
Other	1,578,951,932	(134,210,914)	134,210,914	(134,210,914)	134,210,914
	8,144,082,649	(692,247,025)	692,247,025	(692,247,025)	692,247,025

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust's investments in fixed interest and cash instruments which are interest bearing securities are subject to interest rate risk.

Interest rate risk is mitigated by holding a diversified portfolio of instruments both in Australia and internationally including holding a mixture of fixed and floating rate securities. All investment managers are subject to extensive due diligence prior to being appointed.

The Trust's interest rate risk is monitored on a daily basis by the responsible investment managers awarded mandates in these asset classes and in accordance with the investment guidelines set for them by the Trustee.

Sensitivity analysis

In considering what may be an appropriate volatility factor for fixed interest securities, the Trustee's investment adviser examined the average absolute movement in the yields of 10-year Australian and US Government bonds. US Government bonds were used as a proxy for offshore bond markets. The average annual absolute movement in the yields of 10-year Australian and US Government bonds over the past 10 years is 82 basis points (2017: 83 bps) and 67 basis points (2017: 76 bps) respectively. The Trust's fixed interest investments are approximately 80% invested domestically and 20% offshore, such that the weighted average of these two figures is 79 basis points (2017: 82 bps). Therefore, the Trust has adopted a volatility factor for interest rate risk of 79 basis points (2017: 82 bps). In considering what may be an appropriate volatility factor for interest on cash and term deposits, the Trustee's investment adviser examined the average absolute movement in the yields of RBA cash rate. The average annual absolute movement in the yields of RBA cash rate over the past 10 years is 90 basis points (2017: 100 bps). This represents management's best estimate of a reasonably possible shift in interest rates having regard to historical data and is not guaranteed as actual results may vary from management's reasonably possible estimate.

	2018	2017
Cash and term deposits	90 bps	100 bps
Fixed interest securities	79 bps	82 bps

An increase or decrease in interest rates would have impacted Net Assets and Profit/Loss for the year by the amounts shown below. This analysis assumes that all other variables remain constant.

2018

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
Cash and term deposits	135,791,287	1,038,803	(1,038,803)	1,038,803	(1,038,803)
Fixed interest securities	2,532,104,418	(17,003,081)	17,003,081	(17,003,081)	17,003,081
	2,667,895,705	(15,964,278)	15,964,278	(15,964,278)	15,964,278

2017

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
Cash and term deposits	484,958,812	4,122,150	(4,122,150)	4,122,150	(4,122,150)
Fixed interest securities	2,295,292,899	(15,998,192)	15,998,192	(15,998,192)	15,998,192
	2,780,251,711	(11,876,042)	11,876,042	(11,876,042)	11,876,042

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Other price risk

Other price risk is the risk that the fair value of 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.

Investments of the Trust that are exposed to other price risk include equities and managed funds. The Trust's exposure to other price risk is therefore limited to the market price movement of these investments. The Trustee has determined that these investments are appropriate for the Trust and are in accordance with the Trustee's published investment strategy.

Other price risk is mitigated by constructing a diversified portfolio of instruments which are traded in various markets. The actual asset allocation is continually monitored and reported to the Board, and is adjusted if necessary having regard to the Trustee's strategic asset allocation. Other price risk is further mitigated by a thorough due diligence process and careful selection and monitoring of investments and managers.

Sensitivity analysis

Following analysis of the deviation in relevant indices over the past 10 years the following movements in other price risk are considered reasonably possible for the 30 June 2018 reporting period. This represents management's best estimate of a reasonably possible shift in market prices having regard to historical data and is not guarantee as actual results may vary from management's reasonably possible estimate.

	2018	2017
Equities	17.5%	18.0%
Managed funds	11%	11.0%

An increase or decrease in the market price of investments of the Trust at 30 June would have impacted Net Assets and Profit / Loss for the year by the amounts shown below. This analysis assumes that all other variables remain constant.

2018

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
Equities	15,600,233,061	2,320,534,668	(2,320,534,668)	2,320,534,668	(2,320,534,668)
Managed funds	15,011,763,678	1,403,599,904	(1,403,599,904)	1,403,599,904	(1,403,599,904)
	30,611,996,739	3,724,134,572	(3,724,134,572)	3,724,134,572	(3,724,134,572)

2017

	Carrying Amount	Net Assets		Profit / Loss for the year	
	\$	\$	\$	\$	\$
Equities	10,113,386,638	1,547,348,155	(1,547,348,155)	1,547,348,155	(1,547,348,155)
Managed funds	11,368,804,961	1,062,983,264	(1,062,983,264)	1,062,983,264	(1,062,983,264)
	21,482,191,599	2,610,331,419	(2,610,331,419)	2,610,331,419	(2,610,331,419)

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Trust to incur a financial loss. Credit risk also reflects uncertain asset values due to adverse movement in the credit quality of an asset.

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due.

Credit risk arising from investments is mitigated by extensive due diligence undertaken by the Trustee prior to the appointment of investment managers to ensure they have the appropriate skills and expertise to manage the Trust's allocated investments. The Trustee further mitigates credit risk by dealing with highly rated counterparties and where appropriate, ensuring collateral is maintained. Exposure to credit risk is monitored on an ongoing basis by counterparty, geographical region and by industry sector.

The carrying amount of assets as at reporting date subject to credit risk is as follows:

2018

	Carrying Amount \$
Derivative Assets	68,286,853
Directly held fixed interest	<u>2,532,104,418</u>
	<u>2,600,391,271</u>

2017

	Carrying Amount \$
Derivative Assets	140,591,747
Directly held fixed interest	<u>2,295,292,899</u>
	<u>2,435,884,646</u>

Script lending

The Trustee has entered into a securities lending arrangement with Citibank N.A. – Sydney Branch ('Citibank') under which legal title to some of the Trust's assets may be transferred to another entity. The securities are loaned by Citibank, as agent of the Trustee, to certain brokers and other financial institutions (the 'Borrowers'). The Borrowers provide cash, securities as collateral against loans in an amount between 102% and 110% of the fair value of the loaned securities. Cash collateral provided by the Borrowers is invested in high quality government debt, term deposits, Certificates of Deposits, Reverse Repurchase Agreements, commercial paper, and corporate debt.

The total fair value of assets subject to securities lending arrangements at the end of each reporting period, and which are included in the above, amounts to \$17,128,095,326 (2017: \$10,878,244,609). The total value of securities on loan at 30 June 2018 which are recognised as an asset in the balance sheet, amounted to \$513,939,423 (2017: \$411,954,391).

During the year ended 30 June 2018, the gross earnings on securities lending is \$5,632,406 (2017: \$3,605,389). These amounts were received and paid on behalf of Citibank and have been recognised in profit or loss.

During the year ended 30 June 2018, the Trust paid fees to Citibank in the amount of \$1,003,525 (2017: \$635,636) including GST for acting as lending agent.

Risks and Indemnification

The risks and benefits of ownership of the loaned assets remain with the Trust. Consistent with the accounting policy note for recognition/de-recognition of financial instruments, because the Trust continues to enjoy the risks and benefits of ownership, assets that have been loaned have not been derecognised (i.e. treated as having been sold). Citibank, as lending agent, indemnifies the Trust for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to a Borrower default on a security loan.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The Trust invests in debt securities managed by specialist investments managers who are bound by guidelines and limitations set out in an investment management agreement. These guidelines and limitations are agreed between the Trustee and investment manager, in consultation with the Trustee's investment adviser.

Below is the investment grade categorisation of the Trust's fixed interest securities:

	2018	2017
	Carrying	Carrying
	Amount	Amount
	\$	\$
Australian debt securities		
A-1+	905,163,900	849,606,967
A-1	223,745,150	199,021,300
A-2	177,294,657	173,048,493
AA-	101,060,762	146,364,580
A+	197,380	571,278
BBB-	-	3,022,599
Not rated	54,878,546	49,301,126
Total	<u>1,462,340,395</u>	<u>1,420,936,343</u>
International debt securities		
A-2	-	4,561,843
AAA	-	244,387
AA+	142,168	150,957
AA	209,538	229,588
A+	-	98,493
A	-	32,774
BBB+	138,369	2,687,959
BBB	11,295,089	21,917,022
BBB-	52,773,148	38,103,738
BB+	2,754,080	3,988,044
BB	82,143,560	140,389,882
BB-	582,049,726	389,741,572
B	7,741,084	17,696,004
B-	29,875,203	10,597,848
CCC	-	14,077
D	-	78,842
Not rated	300,642,058	243,823,526
Total	<u>1,069,764,023</u>	<u>874,356,556</u>

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk of failing to meet financial obligations as and when they fall due. A key consideration is the salability of assets. The Trustee's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trustee's reputation.

The Trust's financial instruments include unlisted investments that are not traded in organised public markets and may be illiquid. As a result the Trustee may not be able to liquidate quickly some of its investments at an amount close to fair value in order to meet its liquidity requirements. As the value of these investments is monitored to comply with the asset allocation stipulated in the Trustee's Investment Strategy, this risk is considered minimal.

The Trust's listed securities are considered to be readily realisable as they are all listed on recognised stock exchange around the world.

Liquidity risk is managed on a daily basis in accordance with policies and procedures in place and the Trustee's Investment Strategy. Stress testing and scenario analysis are completed on a regular basis.

The contractual maturity of financial liabilities is set out below.

2018

	Carrying Amount	Less than 1 month	1 to 3 months	Greater than 3 months
	\$	\$	\$	\$
Accounts payable	60,308,677	60,308,677	–	–
Deposits held with brokers for margin	18,307,845	18,307,845	–	–
Unsettled investment applications	158,358,548	158,358,548	–	–
Derivative liabilities	40,495,364	–	30,500,624	9,994,740
Foreign currency forward contracts				
Inflows	(7,320,088,944)	(8,731,435)	(7,311,357,509)	–
Outflows	7,517,154,219	8,740,315	7,508,413,904	–
Total	474,535,709	236,983,950	227,557,019	9,994,740

2017

	Carrying Amount	Less than 1 month	1 to 3 months	Greater than 3 months
	\$	\$	\$	\$
Accounts payable	48,365,626	48,365,626	–	–
Deposits held with brokers for margin	16,742,950	16,742,950	–	–
Unsettled investment applications	160,106,944	160,106,944	–	–
Derivative liabilities	33,726,811	–	21,776,885	11,949,926
Foreign currency forward contracts				
Inflows	(5,261,619,327)	(500,438)	(5,261,118,889)	–
Outflows	5,185,151,642	499,948	5,184,651,694	–
Total	182,474,646	225,215,030	(54,690,310)	11,949,926

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(d) Structured Entities

The Trust invests in structured entities, which are collective investment vehicles, which includes unlisted managed funds or trusts. The activities of the collective investment vehicle are directed under an investment management agreement and typically focus on a particular asset class. The Trust may control the structured entity, but is not required to prepare consolidated financial statements as it applies the Investment Entity Exemption available under AASB 10.

The Trust's investments in structured entities by asset class at balance date is as follows:

Asset Class	Carrying amount 2018 \$	Carrying amount 2017 \$
Cash	-	-
Diversified fixed interest	1,164,279,917	718,071,674
Australian equities	999,304,275	712,871,974
International equities	3,113,276,933	2,529,993,791
Property	4,139,588,822	3,294,235,992
Infrastructure	3,047,852,444	2,660,911,458
Alternative assets	2,356,202,712	1,151,273,880
	<u>14,820,505,103</u>	<u>11,067,358,769</u>

(e) Estimation of fair values

The Trust's financial assets and liabilities included in the Statement of Financial Position are carried at fair value on a recurring basis. The major methods and assumptions used in determining fair value of financial instruments have been disclosed at Note 2 Summary of Significant Accounting Policies.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value hierarchy

The table below analyses financial instruments carried at fair value by 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 or liabilities;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

The determination of what constitutes 'observable' requires significant judgment by the Trustee. The Trustee considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period. The Trust's investments are valued in accordance with the accounting policies disclosed at Note 2 Summary of Significant Accounting Policies. For the majority of its investments, the Trustee relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Trust is the current redemption price; the appropriate quoted market price for financial liabilities is the current application price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The majority of the Trust's investments categorised under level 2 and 3 are held in unlisted managed funds and are recorded at the redemption value per unit, as reported by the external investment manager. Some of the inputs used by the external investment managers in their pricing models may not be market observable and are therefore subject to a level of estimation uncertainty.

The fair value of other financial assets and liabilities that are not traded in an active market is determined using valuation techniques by independent valuers. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

The fair value of derivatives that are not exchange traded are estimated at the amount that the Trust would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value hierarchy (continued)

The tables below set out the Trust's financial assets and liabilities measured at fair value according to the fair value hierarchy.

2018

	Level 1	Level 2	Level 3
	\$	\$	\$
Financial Assets			
Financial Assets designated at fair value through profit and loss			
Cash and term deposits	135,791,287	–	–
Fixed interest securities	969,796,557	437,665,292	1,124,642,569
Equities	15,248,121,942	–	352,111,119
Managed funds	612,415,143	2,749,291,013	11,650,057,522
Derivative assets	65,979,641	1,297,318	1,009,894
Financial Liabilities			
Financial Liabilities held for trading:			
Derivative liabilities	(40,471,528)	(198,362,593)	(23,836)
	16,991,633,042	2,989,891,030	13,127,797,268

2017

	Level 1	Level 2	Level 3
	\$	\$	\$
Financial Assets			
Financial Assets designated at fair value through profit and loss			
Cash and term deposits	484,958,812	–	–
Fixed interest securities	1,074,605,220	301,591,839	919,095,839
Equities	9,880,495,372	–	232,891,266
Managed funds	383,054,962	2,328,454,110	8,657,295,889
Derivative assets	62,666,926	77,924,821	–
Financial Liabilities			
Financial Liabilities held for trading:			
Derivative liabilities	(33,726,811)	(1,457,135)	–
	11,852,054,481	2,706,513,635	9,809,282,994

There was a transfer of \$14,125,985 from Level 1 to Level 3 for the year ended 30 June 2018 (2017: \$6,398,369). This relates to three securities that were suspended as at 30 June 2018.

Level 3 investments

The investments held by the Trust include unlisted financial instruments that are not traded in an active market. Hence, their fair values are based on prices advised by the external investment manager, as well as valuations determined by appropriately skilled independent third parties. The following table presents the movement in level 3 investments.

	2018	2017
	\$	\$
Opening Balance	9,809,282,994	8,920,512,475
Purchases	3,747,842,617	1,878,918,162
Sales	(951,425,130)	(1,040,064,867)
Transfers into/(out) of level 3	14,121,985	6,388,369
Gains and losses recognised in profit and loss	507,974,802	43,528,855
Closing Balance	13,127,797,268	9,809,282,994

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 11. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value hierarchy (continued)

Valuation inputs and relationships to fair value - level 3 investments

Details of the inputs and assumptions used in the current valuation of investments are described below. Detailed information has been provided where available. A significant amount of these investments are held via externally managed unlisted pooled investment vehicles, and as such the Trustee is not privy to the detailed inputs and assumptions used to value the underlying investment assets.

The Trustee has an established control framework with respect to the measurement of fair values. The Trustee engages appropriately skilled independent third parties to perform a valuation, where required. With respect to investments held externally by investment managers, the Trustee reviews the appropriateness of the investment manager's valuation policies during the due diligence phase, prior to initial investment. Annually the Trustee obtains assurance from the fund manager regarding the integrity of the fund's unlisted asset valuation and process. At least annually in July, final valuations are adopted by the Board in determining the final annual crediting rate.

Further details on valuation inputs of the Trust's level 3 investments can be explained under the following categories:

(i) Managed funds

As at 30 June 2018 the Trust has managed funds of \$11,650,057,522 (2017: \$8,657,295,889) categorised as level 3, which include unlisted unit trusts, partnerships and unlisted managed funds. These investments are recorded at the redemption value at balance date, as provided by the external investment manager or general partner.

(ii) Equity securities

As at 30 June 2018 the Trust has equity securities of \$352,111,119 (2017: \$232,891,266) categorised as level 3, which include unlisted shares and preference shares.

Unlisted shares are subject to an annual valuation by a professional and independent third-party that uses valuation techniques appropriate to the company. The valuation techniques include discounted cash flow valuation methodologies and earning and trading multiples of broadly comparable companies. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and discounted using an appropriate cost of equity to arrive at a net present value.

Preferred shares generally have fixed dividend payments and are valued by discounting future dividend payments to arrive at a net present value. Preference shares are not traded on secondary markets.

(iii) Fixed interest securities

As at 30 June 2018 the Trust has fixed interest securities of \$1,124,642,569 (2017: \$919,095,839) categorised as level 3, which include Government, Government related, corporate and securitised bonds, loans and other fixed interest instruments.

The valuations of fixed interest securities are based primarily on third party pricing servicers, brokers, market makers and valuation methodologies determined to be appropriate by the manager or their independent valuation agent. Such methodologies applied may include discounted cash flow, amortised cost and direct comparison.

Unobservable inputs and assumptions can include the appropriate credit spread and other risk premium, risk free discount rate, future cash flows, identification of appropriate comparables and future economic and regulatory conditions. The Trustee is not privy to the unobservable inputs and assumptions used by the underlying investment manager and are therefore not able to quantify the effect of a movement in an unobservable input or assumption.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 12. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis to realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed the table below:

Effect of offsetting on Statement of Financial Position

2018

	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position	Amounts subject to master netting arrangements	Net Amount
	\$	\$	\$	\$	\$
Financial Assets					
Derivative assets	7,387,078,479	(7,318,791,626)	68,286,853	(899,166)	67,387,687
Financial Liabilities					
Derivative liabilities	(7,557,649,583)	7,318,791,626	(238,857,957)	899,166	(237,958,791)

Effect of offsetting on Statement of Financial Position

2017

	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position	Amounts subject to master netting arrangements	Net Amount
	\$	\$	\$	\$	\$
Financial Assets					
Derivative assets	5,324,286,253	(5,183,694,506)	140,591,747	(1,373,705)	139,218,042
Financial Liabilities					
Derivative liabilities	(5,218,878,452)	5,183,694,506	(35,183,946)	1,373,705	(33,810,241)

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 13. RELATED PARTIES

(a) Trustee

Host-Plus Pty. Limited is the Trustee for both the Hostplus Superannuation Fund ('Fund') and the Hostplus Pooled Superannuation Trust ('Trust'), collectively known as 'Hostplus'. The Trust is the Fund's primary investment vehicle.

The shareholders of the Trustee are United Voice and Australian Hotels Association ('AHA').

(b) Board of Directors and remuneration

Directors

Directors and Alternate Directors of the Trustee during the financial year were as follows:

Independent	Member nominated by United Voice	Employer nominated by AHA
D Elmslie (Chair)	T Lyons (Deputy Chair)	M Robertson (Deputy Chair)
P Collins	B Myers	D Gibson
A Grayson	J Hill	M Vaile
	R Buckler ^(a)	N Randall ^(a)

(a) Alternate Director

Under the terms of the Trust Deed, the Trustee is entitled to be paid or reimbursed out of Trust assets for all expenses and liabilities which it may incur in connection with the Trust or in performing its obligations. Trustee Services Fees paid and payable by the Trust are set out in Note 13(g). Embedded in the Trustee Services Fee is the Trust's share of remuneration paid/payable to Directors for services rendered to the Board and Committees of the Board as set out in the following tables:

Year Ended 30 June 2018

Name	Director Fee (Salary) (\$)	Parking benefits (\$)	Superannuation (\$)	Termination benefits (\$)	Total (\$)
Independent					
D Elmslie	139,939	8,604	20,991	-	169,534
P Collins	109,950	-	16,493	-	126,443
A Grayson	94,950	-	14,243	-	109,193
Employer nominated					
M Robertson ^(a)	103,789	-	15,568	-	119,357
D Gibson	103,513	-	15,527	-	119,040
M Vaile	84,400	-	12,660	-	97,060
N Randall	28,696	-	4,304	-	33,000
Member nominated					
T Lyons	115,409	-	17,311	-	132,720
B Myers ^(a)	84,400	-	12,660	-	97,060
J Hill	84,400	-	12,660	-	97,060
R Buckler ^(a)	35,000	-	5,250	-	40,250
Total	984,446	8,604	147,667	-	1,140,717

(a) Director fees for these individuals are paid to their nominating association United Voice or AHA.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 13. RELATED PARTIES (continued)

(b) Board of Directors and remuneration (continued)

Year Ended 30 June 2017

Name	Director Fee (Salary) (\$)	Parking benefits (\$)	Superannuation (\$)	Termination benefits (\$)	Total (\$)
Independent					
D Elmslie	135,826	9,495	20,374	-	165,695
P Collins	109,950	-	16,493	-	126,443
A Grayson	94,950	-	14,243	-	109,193
Employer nominated					
M Robertson ^(a)	99,676	-	14,951	-	114,627
D Gibson	99,400	-	14,910	-	114,310
M Vaile	84,400	-	12,660	-	97,060
N Randall	33,000	-	-	-	33,000
Member nominated					
T Lyons	109,675	-	16,451	-	126,126
B Myers ^(a)	39,251	-	5,888	-	45,139
J Hill	35,167	-	5,275	-	40,442
D McElrea ^(a)	45,149	-	6,772	-	51,921
R Stark ^(a)	49,233	-	7,385	-	56,618
R Buckler ^(a)	40,000	-	5,250	-	45,250
Total	975,677	9,495	140,652	-	1,125,824

(a) Director fee's for these individuals are paid to their nominating association United Voice or AHA.

(c) Group Executive management and remuneration

Key management personnel of Hostplus as at 30 June 2018 included the following Group Executives:

Name of Executive	Role
D Elia	Chief Executive Officer
N Brouwer	Group Executive – Risk & Compliance
K Cantwell	Group Executive – Service Operations
U Mecchi	Chief Marketing Officer
S Sicilia	Chief Investment Officer
N Strickland	Group Executive – People, Performance & Culture
P Watson	Group Executive – Retirement Solutions & Advice

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 13. RELATED PARTIES (continued)

(c) Group Executive management and remuneration (continued)

Remuneration of Group Executive management paid/payable by Hostplus is set out in the following tables:

Year Ended 30 June 2018

Name	Date commenced	Date change in position	Salary (\$)	Short-term incentives (\$)	Parking benefits (\$)	Super-annuation (\$)	Termination benefits (\$)	Total (\$)
D Elia	15/03/1999		717,452	241,391	8,604	25,000	-	992,447
N Brouwer	23/11/2014		201,408	16,361	8,604	25,000	-	251,373
K Cantwell	10/10/2016		267,259	32,701	8,604	25,000	-	333,564
U Mecchi	28/11/2011		345,496	52,164	8,604	25,000	-	431,264
S Sicilia	31/03/2008		571,968	326,830	8,604	25,000	-	932,402
N Strickland	17/02/2014		180,696	9,941	8,604	25,000	-	224,241
P Watson	21/03/2011		297,421	30,265	8,604	25,000	-	361,290
Total			2,581,700	709,653	60,228	175,000	-	3,526,581

Year Ended 30 June 2017

Name	Date commenced	Date change in position	Salary (\$)	Short-term incentives (\$)	Parking benefits (\$)	Super-annuation (\$)	Termination benefits (\$)	Total (\$)
D Elia	15/03/1999		689,890	197,076	9,495	30,000	-	926,461
N Brouwer	23/11/2014	21/11/2016 ^(c)	174,297	-	5,803	26,144	-	206,244
K Cantwell	10/10/2016 ^(d)		180,730	-	6,892	21,346	-	208,968
T Kenny	07/11/2013	22/12/2016 ^(a)	265,697	41,231	4,518	21,990	133,869	467,305
U Mecchi	28/11/2011		320,722	48,573	9,495	30,000	-	408,790
S Sicilia	31/03/2008		538,949	151,741	9,495	30,000	-	730,185
B Smethurst	25/07/2016 ^(e)	06/03/2017 ^(e)	127,644	-	5,871	17,779	-	151,294
N Strickland	17/02/2014		154,812	29,909	9,495	27,708	-	221,924
P Watson	21/03/2011		283,137	24,399	9,495	30,000	-	347,031
A Wong	12/01/2004	30/09/2016 ^(b)	230,244	24,506	2,374	9,423	-	266,547
Total			2,966,122	517,435	72,933	244,390	133,869	3,934,749

(a) Resigned as Group Executive – Finance & Investment Operations

(b) Resigned as Group Executive – Legal & Compliance

(c) Appointed as Group Executive – Risk & Compliance

(d) Appointed as Group Executive – Service Operations

(e) B Smethurst temporarily occupied the position of Group Executive – People, Performance & Culture

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 13. RELATED PARTIES (continued)

(d) Directors' attendance at Board and Committee meetings

Year Ended 30 June 2018

Director/ Alternate Director	Full Board Meeting of Directors		Meeting of Committees							
			Audit, Risk & Compliance		Claims Review		People & Remuneration		Special Investments Group	
			A	B	A	B	A	B	A	B
Directors										
D Elmslie	7	7	-	-	-	-	2	2	2	2
P Collins	7	7	3	3	-	-	-	-	-	-
A Grayson	7	7	-	-	-	-	-	-	-	-
D Gibson	6	7	-	-	-	-	2	2	1	2
M Robertson	7	7	3	3	-	-	-	-	1	2
M Vaile	7	7	-	-	-	-	-	-	-	-
T Lyons	7	7	3	3	-	-	2	2	2	2
B Myers	7(+)	7	-	-	-	-	-	-	-	-
J Hill	6	7	-	-	-	-	-	-	-	-
Alternate Directors										
R Buckler	-	-	-	-	16	17	-	-	-	-
N Randall	1	-	-	-	-	-	-	-	-	-
Observers										
D Elmslie	-	-	2(*)	-	-	-	-	-	-	-
A Grayson	-	-	-	-	-	-	1(*)	-	-	-
R Buckler	2(#)	-	-	-	-	-	-	-	-	-
N Randall	3(#)	-	-	-	-	-	-	-	-	-

A Number of meetings attended including where an alternate may have attended on behalf of the appointed Director

B Number of meetings held during the time the Director held office or was a member of the Committee during the year

(#) Alternate Directors are invited to attend Board Meetings as an Observer

(*) All Directors and alternates are invited to attend Committee meetings and receive full Committee papers

(+) B Myers was appointed the Alternate Director for J Hill in the Board Meeting held on the 15 September 2017. Consequently, B Myers was assigned two voting rights.

Where a Non-Committee member has attended a Committee, attendance has been noted

Year Ended 30 June 2017

Director/ Alternate Director	Full Board Meeting of Directors		Meeting of Committees						HOSTPLUS Investment Trust	
			Audit, Risk & Compliance		Claims Review		People & Remuneration			
			A	B	A	B	A	B		
Directors										
D Elmslie	7	8	-	-	-	-	3	3	-	-
R Buckler	-	-	-	-	15	15	-	-	-	-
P Collins	7	7	3	3	-	-	-	-	-	-
D Gibson	7	7	-	-	-	-	3	3	-	-
A Grayson	7	7	-	-	-	-	-	-	-	-
R Stark	1	3	-	-	-	-	-	-	-	-
M Robertson	7	7	2	3	-	-	-	-	-	-
M Vaile	5	7	-	-	-	-	-	-	-	-
D McElrea	4	4	-	-	-	-	-	-	-	-
T Lyons	6	7	2	3	-	-	3	3	-	-
B Myers	2	3	-	-	-	-	-	-	-	-
J A Hill	3	3	-	-	-	-	-	-	-	-
Alternate Directors										
R Buckler	3	-	-	-	-	-	-	-	-	-
N Randall	3	-	1	-	-	-	-	-	-	-
Observers										
D Elmslie	-	-	3(*)	-	-	-	-	-	-	-
R Buckler	1(#)	-	-	-	-	-	-	-	-	-
N Randall	1(#)	-	-	-	-	-	-	-	-	-

A Number of meetings attended including where an alternate may have attended on behalf of the appointed Director

B Number of meetings held during the time the Director held office or was a member of the Committee during the year

(#) Alternate Directors are invited to attend Board Meetings as an Observer

(*) All Directors and alternates are invited to attend Committee meetings and receive full Committee papers

Where a Non-Committee member has attended a Committee, attendance has been noted

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 13. RELATED PARTIES (continued)

(e) Related party unit holdings

The only related party to the Trust is the Fund, which has unit holdings in the Trust.

The units held in the Trust were as follows:

2018 Unitholder	No. of units held opening (Units)	No. of units held closing (Units)	Interest held (%)	No. of units acquired (Units)	No. of units disposed (Units)
The Fund	19,587,637,075	23,755,819,117	99.998	4,473,102,439	(304,920,397)
External Investors	–	399,076	0.002	399,181	(105)
	19,587,637,075	23,756,218,193	100	4,473,501,620	(304,920,502)

2017 Unitholder	No. of units held opening (Units)	No. of units held closing (Units)	Interest held (%)	No. of units acquired (Units)	No. of units disposed (Units)
The Fund	17,817,223,313	19,587,637,075	100	1,999,492,848	(229,079,086)
	17,817,223,313	19,587,637,075	100	1,999,492,848	(229,079,086)

(f) Trustee fees and other transactions

Under the terms of the Trust Deed, the Trustee is entitled to receive a Trustee Services Fee. During the year, Trustee Services Fees paid and payable by the Trust to the Trustee are as outlined in the following table.

	2018 \$	2017 \$
Management fees for the year paid by the Trust to the Trustee	947,859	705,436
	947,859	705,436

NOTE 14. REMUNERATION OF AUDITORS

	2018 \$	2017 \$
Remuneration paid or payable for services provided by the auditor, PricewaterhouseCoopers		
- Audit of Financial Statements	77,373	75,926
- Other Assurance Services	42,400	41,604
	119,773	117,530

NOTE 15. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No significant events have occurred since the end of the reporting period which would impact on the Statement of Financial Position, Statement of Comprehensive Income or Statement of Cash Flows of the Trust for the year ended 30 June 2018.

**HOSTPLUS POOLED SUPERANNUATION TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 16. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

Commitments for the acquisition of investments contracted for at the reported date but not recognised as liabilities payable:

	2018	2017
	\$	\$
Fixed interest securities	161,930,965	228,703,777
Equities	21,351,025	133,625,833
Managed Funds	3,037,301,120	2,273,919,079
	<u>3,220,583,110</u>	<u>2,636,248,689</u>

There were no other contingent assets or liabilities as at 30 June 2018 and 30 June 2017.

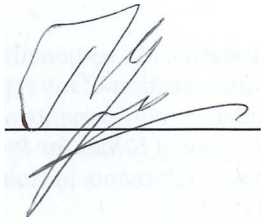
**HOSTPLUS POOLED SUPERANNUATION TRUST
TRUSTEE STATEMENT**

In the opinion of the trustee:

- (a) the financial statements and notes set out on pages 2 to 33 are drawn up so as to present fairly the financial position of Hostplus Pooled Superannuation Trust as at 30 June 2018, the results of its operations, changes in equity and its cash flows for the period ended on that date in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- (b) the financial statements are prepared in accordance with the requirements of the Trust Deed dated 7 February 2014 and the Superannuation Industry (Supervision) Act 1993 and Regulations; and
- (c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This statement is made in accordance with a resolution of the directors of the trustee company, Host-Plus Pty. Limited.

DIRECTOR:

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, positioned above a solid horizontal line.

DIRECTOR:

A handwritten signature in black ink, appearing to be the initials 'JSC' with a flourish, positioned above a solid horizontal line.

Sydney

21 September 2018



Independent Auditor's report on financial statements

Report by the RSE Auditor¹ to the trustee of Hostplus Pooled Superannuation Trust (ABN: 13 140 019 340)

Opinion

I have audited the financial statements of Hostplus Pooled Superannuation Trust for the year ended 30 June 2018 comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Hostplus Pooled Superannuation Trust as at 30 June 2018 and the results of its operations, cash flows and changes in equity for the year ended 30 June 2018.

Basis for Opinion

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

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

Trustee's responsibility for the financial statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards² and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

¹ RSE Auditor as defined in Section 10 of the SIS Act.

² The Australian Accounting Standards issued by the Australian Accounting Standards Board.

PricewaterhouseCoopers, ABN 52 780 433 757

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if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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


PricewaterhouseCoopers



George Sagonas
Partner

Melbourne
21 September 2018



Independent Auditor's report on APRA reporting forms¹ and Limited Assurance report on compliance

(A) APRA reporting forms required under reporting standards (SPS 310, Attachment A)

Independent auditor's report to the trustee of Hostplus Pooled Superannuation Trust (ABN: 13 140 019 340) on forms required under APRA reporting standards:

SRF540.0 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 Hostplus Pooled Superannuation Trust for the period ended 30 June 2018 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.

Emphasis of matter - restriction on use and distribution

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 should not be distributed to or used by parties other than the trustee and APRA. 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, or for any purpose other than that for which it was prepared.

¹ Forms required by reporting standards made under the Financial Sector (Collection of Data) Act 2001, as listed in Attachment A to Prudential Standard SPS 310 Audit and Related Matters.



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 A 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.

Auditor's responsibilities for forms required by APRA reporting standards

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

SRF 540.0 Fees

of Hostplus Pooled Superannuation Trust, which comprise part of the information required by the APRA reporting standards for the year ended 30 June 2018.

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.



(B) Compliance

Independent Assurance Practitioner's Limited Assurance report to the trustee of Hostplus Pooled Superannuation Trust (ABN: 13 140 019 340)

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 2017 to 30 June 2018, 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* and 3150 *Assurance Engagements on Controls* 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.

Emphasis of matter - 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 should not be distributed to or used by parties other than the trustee and APRA. I disclaim any assumption of responsibility for any reliance on this report to any party other than the trustee and APRA, or for any purpose other than that for which it was prepared.

Our conclusion is not modified in respect of this matter.



Trustee's responsibility for compliance

The trustee of Hostplus Pooled Superannuation Trust 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 Engagements² including ASAE 3100 *Compliance Engagements* and ASAE 3150 *Assurance Engagements on Controls*, 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 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.

² Prudential Requirements' is defined under footnote 12 of *Prudential Standard SPS 220 Risk management*.



Inherent Limitations

A limited assurance engagement³ is substantially less in scope as the procedures performed vary in nature and timing from a reasonable assurance engagement conducted in accordance with AUASB Standards on Assurance Engagements. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Due to the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved and so fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the controls that we have assured operate, has not been assured and no opinion is expressed as to its design or operating effectiveness.

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 above are to be read in the context of the foregoing comments.

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 2017 to 30 June 2018 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;

³ For detail see ASAE 3150 Controls Standard para 89 (m) (i) and (ii).



- 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 2017 to 30 June 2018, 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)

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 2017 to 30 June 2018.

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


Pricewaterhouseopers


George Sagonas
Partner

Melbourne
21 September 2018



Independent Auditor's report on APRA reporting forms¹ and Reasonable Assurance report on compliance

(A) APRA reporting forms required under reporting standards (SPS 310, Attachment A)

Independent auditor's report to the trustee of Hostplus Pooled Superannuation Trust (ABN: 13 140 019 340) on forms required under APRA reporting standards:

<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>

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 Hostplus Pooled Superannuation Trust as at 30 June 2018 and its performance for the year then ended, as reflected in the RSE's financial statements signed on 21 September 2018 or accounting records with regard to other information that was not directly derived from the financial statements; and
- b) the trustee of Hostplus Pooled Superannuation Trust 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 Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for forms required by APRA reporting standards section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my reasonable assurance engagement on the APRA reporting forms in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

¹ Forms required by reporting standards made under the Financial Sector (Collection of Data) Act 2001, as listed in Attachment A to Prudential Standard SPS 310 Audit and Related Matters.



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

Responsibility of the trustee's 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.

In preparing the APRA reporting forms, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intend to liquidate the RSE or to cease operations, or has no realistic alternative but to do so².

The APRA reporting forms have been prepared for the purposes of fulfilling the trustee's reporting requirements under the APRA reporting standards.

Auditor's Responsibilities for forms required by APRA reporting standards

My objectives are to obtain reasonable assurance on whether the APRA reporting forms required by the APRA reporting standards are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that a reasonable assurance engagement conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists³. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these APRA reporting forms.

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 Hostplus Pooled Superannuation Trust, which comprise part of the information required by the APRA reporting standards for the year ended 30 June 2018.

I have conducted a reasonable assurance engagement on the APRA reporting forms in order to express an opinion on them to the trustee of Hostplus Pooled Superannuation Trust.

² Auditing Standard ASA 570 Going Concern, paragraph 2.

³ The terms reasonable assurance and material misstatement are defined in the Auditing and Assurance Standards Board Glossary.



I have also performed a reasonable assurance engagement on the financial statements of Hostplus Pooled Superannuation Trust for the year ended 30 June 2018. My auditor's opinion on the financial statements was signed on 21 September 2018, and was not modified.

As part of a reasonable assurance engagement in accordance with the Australian Auditing Standards, I exercised professional judgment and maintained professional scepticism throughout the reasonable assurance engagement. I also:

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

Emphasis of Matter – Bases of preparation of APRA reporting forms and restriction on use and distribution

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.

Our opinion is not modified in respect of this matter.



(B) Compliance

Independent Assurance Practitioner's report⁴ to the trustee of Hostplus Pooled Superannuation Trust (ABN: 13 140 019 340)

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 Hostplus Pooled Superannuation Trust 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 2018
- 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* and 3150 *Assurance Engagements on Controls* 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, Regulations and the conditions of its RSE licence.

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.

⁴ Conducted under ASAE 3100 Compliance Engagements



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 AUSAB Standard on Assurance Engagements. This Standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance whether the trustee of Hostplus Pooled Superannuation Trust has, in all material respects:

- a) complied with the relevant requirements of the following provisions 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);

- 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)⁵, 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 2018.

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

⁵ Subsection 1017DA(3A) was added to the Corporations Act by Item 12.1 of Schedule 10A to the Corporations Regulations 2001.



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 their ORFR strategy with respect to maintaining an operational risk reserve at the required target amount for the year ended 30 June 2018

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 year 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.

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 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'George Sagonas'.

George Sagonas
Partner

Melbourne
21 September 2018