



**FUNDS SA**

# 2014-15

## Annual Report

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Investing for the future



Government of  
South Australia

# 2014-15

## Annual Report

## Contents

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### Funds SA's Mission

To provide a value-adding, cost-effective investment service that enables South Australia's public sector superannuation schemes and public authorities to achieve their investment objectives.

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# About Funds SA

## Statutory structure and functions

Funds SA was established in July 1995 under the *Superannuation Funds Management Corporation of South Australia Act 1995* (Funds SA Act). It became the successor organisation to the South Australian Superannuation Fund Investment Trust.

Funds SA's role as set down in the Funds SA Act is to invest and manage the funds of South Australia's public sector superannuation schemes and approved authorities pursuant to strategies formulated by the Corporation.

The object of the Corporation is to achieve the highest return possible on investment of the funds while having proper regard for the need to maintain the risks relating to investment at an acceptable level; the need for liquidity in the funds; and such other matters as are prescribed by regulation.

## Funds under management

Funds SA manages the employee and employer contributions of the State's public sector superannuation funds, including:

- South Australian Superannuation Scheme
- Police Superannuation Scheme
- Southern State Superannuation (Triple S) Scheme
- Super SA Income Stream and Flexible Rollover Products
- Parliamentary Superannuation Scheme
- Judges' Pension Scheme
- Governors' Pension Scheme
- Super SA Select.

In addition, Funds SA manages the assets of administered schemes as determined under Schedule 3 of the *Superannuation Act 1988*, including:

- SA Metropolitan Fire Service Superannuation Scheme
- SA Ambulance Service Superannuation Scheme.

Funds SA also manages certain assets of 'prescribed public authorities' as defined under the Funds SA Act, including:

- Motor Accident Commission – Compulsory Third Party Fund
- South Australian Government Financing Authority – insurance investments
- Lifetime Support Authority
- Health Services Charitable Gifts Board
- Adelaide Cemeteries Authority.

# About Funds SA

The following table details Fund SA's funds under management as at 30 June 2015.

## Net market value of assets as at 30 June 2015

\$m

<b>Public sector superannuation funds administered by:</b>	
Super SA (includes \$4752.7m defined benefit, \$13 556.6m accumulation and \$2657.2m retirement assets)	20 966.5
Police Superannuation Board	1 417.5
<b>Administered schemes:</b>	
SA Metropolitan Fire Service Superannuation Scheme	322.3
SA Ambulance Service Superannuation Scheme	218.8
<b>Approved authorities:</b>	
Motor Accident Commission	2 058.2
South Australian Government Financing Authority	529.1
Lifetime Support Authority	165.2
Health Services Charitable Gifts Board	79.5
Adelaide Cemeteries Authority	4.4
<b>Total</b>	<b>25 761.6</b>

Funds SA manages funds on behalf of tax-exempt investors as well as investors subject to tax or able to take advantage of franking credit refunds. As at 30 June 2015, Funds SA had \$22 481.1 million in tax-exempt funds and \$3280.5 million in taxable funds.

# Chairman & CEO's Report

**We are pleased to report on another successful year for Funds SA across all parts of the business.**

## Investment performance

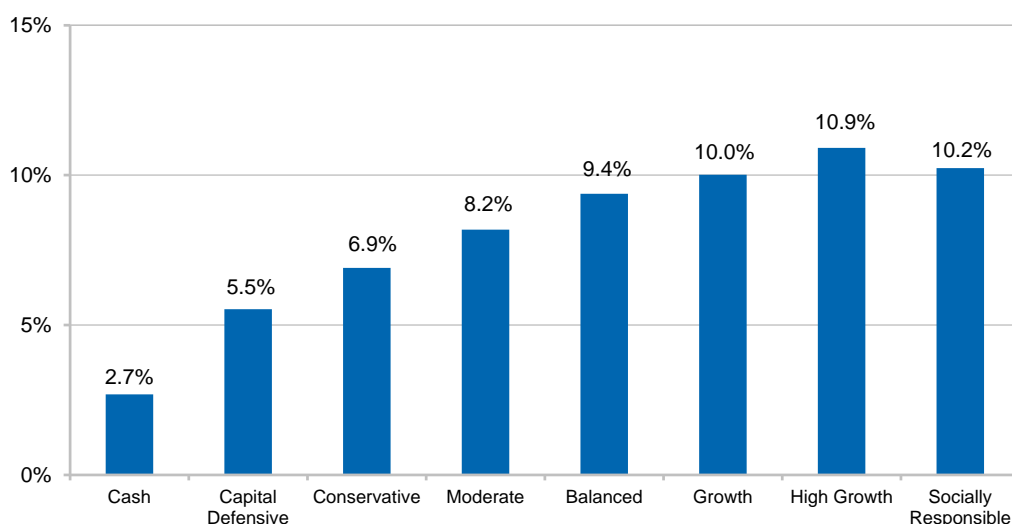
For the 2014-15 financial year, Funds SA's flagship Balanced and Growth (tax-exempt) funds returned 9.4% and 10.0%, respectively. Funds SA's investment portfolios benefited from the positive returns achieved from both growth and defensive investments during the year.

Over the past six years, the Balanced (tax-exempt) fund has produced a cumulative return of 83.9% to the end of June 2015. On an annualised basis, this equates to 10.7% p.a.

Returns for Funds SA's multi-sector (tax-exempt) funds for the year ending 30 June 2015 are shown in the chart below.

### Funds SA tax-exempt fund investment returns for year ending 30 June 2015

Returns net of fees



## Funds SA celebrates 20 years

Funds SA also celebrated 20 years of history on 30 June 2015. The Corporation has grown significantly over this period and has established a sophisticated investment model that caters for Funds SA's range of investors.

Performance over this 20 year period has been above expectations. The Balanced (tax-exempt) fund, which is the default fund for the majority of the State's superannuation schemes, has recorded a return of 8.2% p.a. over the period. This is 5.7% ahead of the rate of inflation and well ahead of the return objective of CPI + 4%.

## State Strategic Plan

Funds SA contributes to the State Strategic Plan through the Plan objective: 'Our Prosperity'. Over the long term, the investment return on the State's various defined benefit scheme accounts has made a positive contribution to the management of the liabilities associated with these schemes. The defined benefit scheme accounts are invested in the Growth (tax-exempt) strategy, which since inception on 30 June 1995 has returned 8.1% per annum, 5.5% ahead of the rate of inflation and ahead of the Growth fund's objective of CPI + 4.5%.

# Chairman & CEO's Report

## Investment strategy and outlook

During the year, Funds SA undertook its annual investment strategy review. The focus of the review was to consider the current financial market environment, where an extended period of lower returns is expected. Funds SA has established a plan to navigate through this challenging environment. It will be implemented in the new year. Funds SA has also worked closely with its investors to discuss the implications for their particular investment strategies.

## Stakeholders

The past year has been a busy year for Funds SA, as a number of stakeholder projects and strategy reviews were undertaken.

During the year, Funds SA and Super SA jointly undertook a review of the default option chosen for many of the State's superannuation schemes. The review included consideration of the future retirement income requirements of the membership. The outcome of the review was to maintain the Balanced fund as the chosen default strategy.

We continue to work closely with the Motor Accident Commission in moving towards a new investment strategy, in response to upcoming changes to the compulsory third party insurance arrangements.

We are also pleased to welcome the Lifetime Support Authority and the Health Services Charitable Gifts Board as new investors during the year.

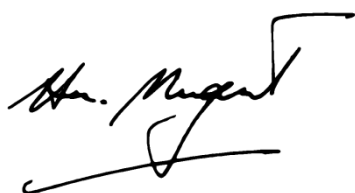
## Funds SA Board

We thank Directors for their significant contribution to the oversight of Funds SA during the year. The terms of Ms Anne De Salis and Mr David McMahon ended as members of the Funds SA Board in December 2014. The Board wishes to express its appreciation for their contribution over the past 9 and 6 years, respectively. The term of Ms Jan McMahon was renewed for another three years and we thank her for her ongoing contribution. In December 2014, we also welcomed to the Board Ms Kathryn Presser and Mr James Baulderstone (who has subsequently resigned due to his new corporate responsibilities at Santos).

## Funds SA Staff

We wish to thank the outgoing Chief Executive Officer, Mr Richard Smith, for his outstanding contribution to Funds SA over the past 27 years. Ms Jo Townsend joined Funds SA as Chief Executive Officer in April 2015, and looks forward to guiding the organisation in the years ahead.

Finally, we would like to acknowledge the ongoing focus and professionalism of Funds SA staff, who are fundamental to the success of the organisation. During the year, four new staff were appointed and we expect that this will assist Funds SA in continuing to provide a high quality and responsive investment service to our stakeholders.



**Dr Helen Nugent AO**  
Chairman



**Ms Jo Townsend**  
Chief Executive Officer

# Funds SA Celebrates 20 Years

## Funds SA's mission:

To provide a value-adding, cost-effective investment service that enables South Australia's public sector superannuation schemes and public authorities to achieve their investment objectives.

## Funds SA caters for a range of investors

### Superannuation:

- Super SA  
(who administers numerous SA Government schemes)
- Police Super
- SA Metropolitan Fire Service Superannuation

### Insurance:

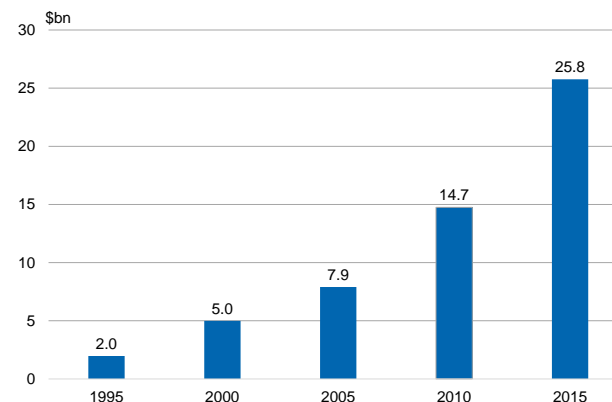
- Motor Accident Commission
- South Australian Government Financing Authority
- Lifetime Support Authority

### Other:

- Health Services Charitable Gifts Board
- Adelaide Cemeteries Authority

## Funds under management have grown substantially, from \$2bn to over \$25bn

Total funds under management as at 30 June

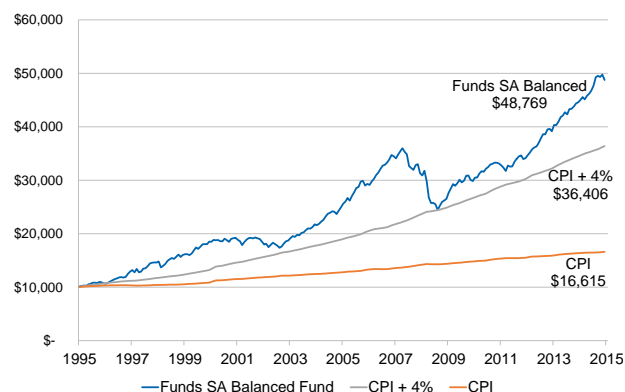


## Funds SA offers a range of investment products to cater for investors' needs

- 16 multi-sector funds across the risk return spectrum – eight for tax-exempt investors and eight for taxable investors
- 18 asset classes across cash, fixed interest, property, equities and alternatives
- Exposure to over 40 investment managers globally
- Access to specialist advice from consultants including Towers Watson and Quentin Ayers, and research from managers and research houses such as Bank Credit Analyst and Bridgewater

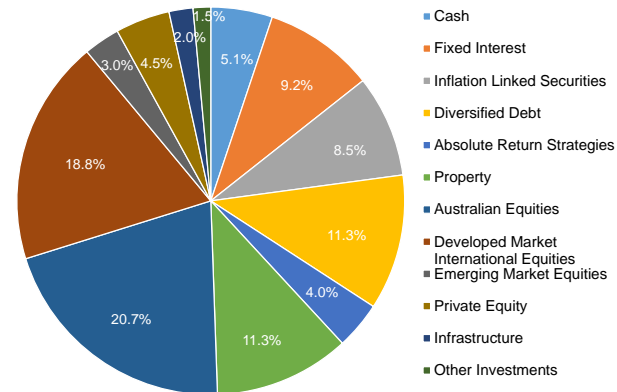
## Performance has been strong against long term objectives

Value of \$10,000 invested on 1 July 1995



## Funds SA offers investment portfolios that are sophisticated and highly diversified

Asset class funds under management as at 30 June 2015



# Investment Portfolios

## Multi-sector investment funds

Funds SA has developed a series of investment portfolios to receive the investment funds of the superannuation schemes and approved authorities. There are currently 16 multi-sector funds distinguished by differing risk profiles, return objectives, investment time horizons and tax status. Eight funds are structured for tax-exempt investors and eight for taxable investors or those investors able to take advantage of franking credit refunds.

These multi-sector funds invest into common asset class pools according to the determined strategic asset allocation for each. The asset classes are discussed later in this section.

Both the tax-exempt and taxable funds have common names and investment objectives. As shown below, clear risk and return objectives have been set for each fund. The objectives deliberately refer to investment time horizons over which it is expected a reasonable likelihood exists that the risk and return parameters will be achieved.

### Funds SA multi-sector fund objectives<sup>1</sup>

Funds SA multi-sector funds	Investment horizon	Return target	Risk of a negative return <sup>2</sup>	Growth asset ranges <sup>3</sup>
Cash	0+ years	Maintain value of capital	Less than 0.5 years in 20	0%
Capital Defensive	2+ years	CPI + 1.5%	Less than 0.5 years in 20	10% - 30%
Conservative	4+ years	CPI + 2.5%	Between 1 and 2 years in 20	20% - 40%
Moderate	6+ years	CPI + 3.5%	Between 2 and 3 years in 20	35% - 55%
Balanced	7+ years	CPI + 4%	Between 3 and 4 years in 20	50% - 70%
Growth	8+ years	CPI + 4.5%	Between 3 and 4 years in 20	60% - 80%
High Growth	10+ years	CPI + 5%	Between 4 and 6 years in 20	70% - 100%
Socially Responsible	The Socially Responsible fund provides investors with risk and return characteristics likely to be similar to those of a growth fund and accordingly annual returns will be volatile. The risk of a negative return is between 4 and 6 years in 20.			

1. The investment objectives state what each fund aims to achieve and are designed to help investors with their investment decisions. The objectives have been developed having regard for the long term performance and characteristics of financial markets. There is no guarantee, however, that the objectives will be met. This is because financial markets are volatile and future returns may vary from returns earned in the past. Indeed, for funds with exposure to growth assets there is a material likelihood that returns may be negative in any particular year.

2. The risk of a negative return is based on the Standard Risk Measure developed for the superannuation industry and allows investors to compare investment options that are expected to deliver a similar number of negative returns over any 20 year period.

3. 'Growth' assets include equities, certain types of property and growth alternatives. The remainder of the funds are invested in 'Defensive' assets, including fixed income, inflation linked bonds and cash.

Funds SA's Balanced and Growth tax-exempt funds account for the majority of funds under management. The Balanced fund is the default option for many of the superannuation accumulation schemes invested by Funds SA, while the Growth fund is the strategy adopted for defined benefit monies invested by Funds SA.



# Investment Portfolios

The Socially Responsible fund is available to members of the State's public sector superannuation schemes. The fund includes a diversified portfolio of investments across a range of asset classes, with an emphasis on growth investments such as shares and property. It is managed in accordance with generally recognised socially responsible investing and environmental, social and governance principles as determined by the product provider, AMP Capital.

All investors, with the exception of the Motor Accident Commission (MAC), invest in Funds SA's multi-sector funds. MAC invests in certain of Funds SA's single sector funds, in accordance with a strategic asset allocation determined by MAC and approved by the South Australian Treasurer.

## Performance was solid across all of Funds SA's multi-sector funds

The tables below show returns achieved for periods ending 30 June 2015.

### Funds SA's multi-sector (tax-exempt) funds, investment returns to 30 June 2015

Returns net of fees and gross of tax

	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	15 years % p.a.	20 years % p.a.
Cash	2.7	3.0	3.8	4.0	4.7	4.9	n.a.
Capital Defensive*	5.5	6.4	7.2	6.5	6.3	n.a.	n.a.
Conservative	6.9	8.9	8.5	6.7	6.6	6.8	n.a.
Moderate*	8.2	10.8	9.3	6.6	n.a.	n.a.	n.a.
Balanced	9.4	12.6	10.3	6.5	6.9	6.7	8.2
Growth	10.0	13.7	10.8	6.4	7.0	6.6	8.1
High Growth	10.9	15.5	11.5	6.4	7.1	6.5	n.a.
Socially Responsible*	10.2	14.1	10.0	n.a.	n.a.	n.a.	n.a.

\*Data not available for certain time periods as the funds do not have the relevant history.

### Funds SA's multi-sector (taxable) funds, investment returns to 30 June 2015

Returns net of fees and gross of tax

	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	2.7	3.0	3.8	4.0	4.7
Capital Defensive	5.3	5.8	6.7	6.1	6.2
Conservative	6.7	8.3	8.0	6.3	6.4
Moderate*	7.9	10.1	8.7	6.3	n.a.
Balanced	9.1	11.8	9.6	6.0	6.6
Growth	9.7	12.9	10.1	6.0	6.8
High Growth	10.8	14.9	10.9	6.2	7.0
Socially Responsible*	10.2	14.1	10.0	n.a.	n.a.

\*Data not available for certain time periods as the funds do not have the relevant history.

# Investment Portfolios

Returns for the year ending 30 June 2015 ranged from 2.7% for Cash to 10.9% for High Growth (tax-exempt). Given the generally strong performance of growth investments over the period, the more growth-orientated multi-sector funds outperformed the more conservative funds over the period, as is expected.

Over the past six years, the Balanced (tax-exempt) fund has produced a cumulative return of 83.9% to the end of June 2015. On an annualised basis, this equates to 10.7% p.a.

## Investment returns were solid despite the volatility emanating from commodity and currency markets

Key themes in financial markets for the year were as follows:

- Global developed market equities produced positive returns for the year. Returns were less varied than in previous years, however, the impact of falling energy and commodity prices did have large impacts when viewed at the industry level. Australian markets underperformed but still delivered a positive return.
- Government bond returns were strong as yields unexpectedly fell across the globe reflecting weaker global growth, deflationary concerns and a continuation of easy monetary policy. Yields reversed late in the year but this was not enough to undermine, what was in hindsight, a strong year.
- Emerging market investments, both equity and debt, underperformed as the escalation in falling commodity prices resulted in many countries underperforming.
- The global search for yield helped the Australian unlisted property market to deliver strong returns. Listed property outperformed unlisted as the lower yield environment and strong investor demand impacted listed asset market pricing more quickly than the unlisted market.
- Commodity markets underperformed markedly during the period, with the energy sector and iron ore prices falling heavily. A slowdown in growth outside the US, oversupply pressures and the continued rise in the US dollar, had the effect of undermining most commodity prices.
- Most currencies fell against the US dollar, particularly energy or commodity linked currencies, such as the Australian dollar.

## Performance is in line with investment objectives over the long term

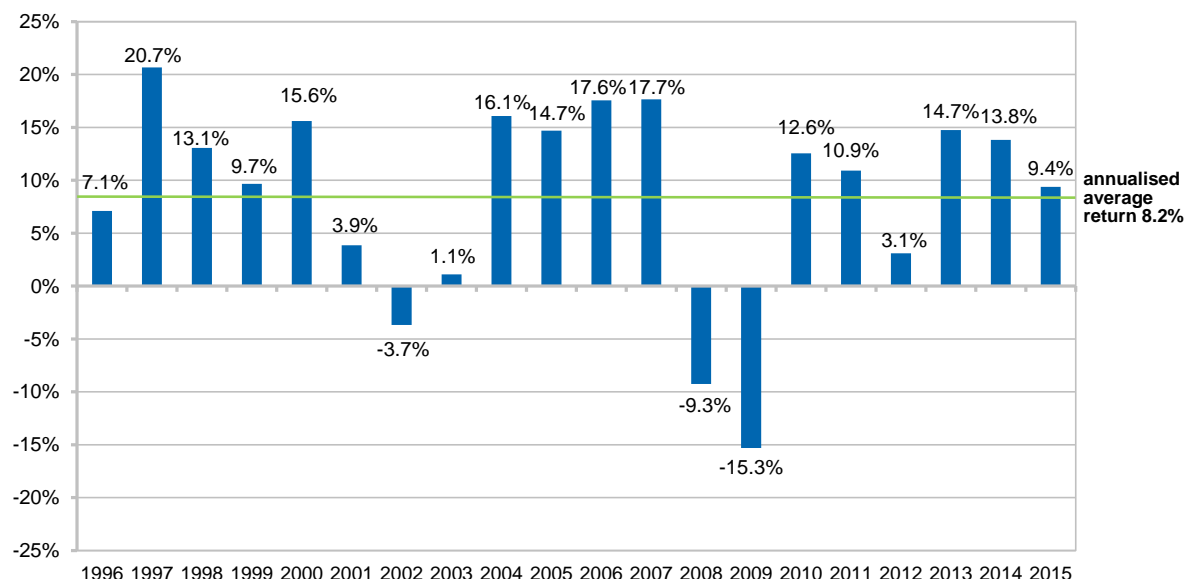
Since inception of the Balanced (tax-exempt) fund on 30 June 1995, the fund has delivered a return of 8.2% p.a. to the end of June 2015, approximately 5.7% ahead of the rate of inflation, and well ahead of the long term expectation of CPI + 4%.

The following chart shows the annual returns of the Balanced (tax-exempt) fund since inception. Annual returns have ranged from a high of 20.7% to a low of -15.3% over the period.

# Investment Portfolios

## Funds SA Balanced (tax-exempt) fund annual returns to 30 June

Returns net of fees and gross of tax



Over this same 20 year period, the Growth (tax-exempt) fund has delivered a return of 8.1% p.a., 5.5% ahead of the rate of inflation and ahead of the long term expectation of CPI + 4.5%.

## Funds SA's multi-sector funds outperformed their benchmarks for the year

All of Funds SA's multi-sector funds achieved returns ahead of their benchmarks for the year ending 30 June 2015. Significant contributors to this were strong active returns from the Diversified Strategies Growth asset class, as well as an overweight to the International Equities asset class. Benchmark-relative performance for the multi-sector funds also remains positive over the longer term.

The Balanced (tax-exempt) fund returned 9.4% for the year ending 30 June 2015, ahead of its benchmark return of 8.7%. Similarly, the Growth (tax-exempt) fund returned 10.0% for the year, ahead of its benchmark return of 9.2%.

## Performance is in line with industry benchmarks over the long term

Performance against other superannuation funds is monitored to provide a broad measure of the reasonableness of Funds SA's strategies. This acknowledges that the strategies for different funds vary depending on the objectives for each and the requirements of the underlying membership.

For the ten year period ending 30 June 2015, Funds SA's Balanced and Growth (tax-exempt) funds, adjusted for tax comparability<sup>1</sup>, have returned 6.4% p.a. and 6.5% p.a., respectively, against the Chant West MySuper median<sup>2</sup> and Rainmaker SelectingSuper MySuper/Default Option Index<sup>3</sup>, which returned 6.5% p.a. and 6.4% p.a., respectively, over the period.

<sup>1</sup> Direct comparisons with other funds are difficult because Funds SA's returns are untaxed whereas superannuation returns are generally reported after the application of the 15% superannuation earnings tax. In order to achieve some degree of comparability, Funds SA's tax-exempt returns can be adjusted for tax by applying an estimated 'notional tax rate' on investment earnings. It should be emphasised that because investors in the Funds SA tax-exempt funds are constitutionally exempt from tax, investment strategies are designed to maximise pre-tax returns. If the aim were to maximise after tax returns, it is likely that the strategies followed would be somewhat different.

<sup>2</sup> Source: Chant West Pty Limited ([www.chantwest.com.au](http://www.chantwest.com.au)). Multi-Manager Quarterly Survey June 2015. For important information about the data provided by Chant West, refer page 21.

<sup>3</sup> Source: Rainmaker Information Pty Ltd.

# Investment Portfolios

## Asset allocation

The strategic asset allocations of the multi-sector funds as at 30 June 2015 are shown in the tables below.

### Funds SA tax-exempt fund strategic asset allocations as at 30 June 2015

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100	15	10	8	2	2	2
Short Term Fixed Interest		33	18	7	3	0	0
Long Term Fixed Interest		5	5	9	8	4	0
Inflation Linked Securities A		15	19	15	12	9	0
Diversified Strategies Income		16	17	16	15	15	12
Property A		6	9	10	12	14	16
Australian Equities A		5	11	15	20	23	30
International Equities A		5	11	15	20	23	30
Diversified Strategies Growth A		0	0	5	8	10	10
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: 'A' portfolios are suitable for tax-exempt investors.

### Funds SA taxable fund strategic asset allocations as at 30 June 2015

	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100	15	10	8	2	2	2
Short Term Fixed Interest		33	18	7	3	0	0
Long Term Fixed Interest		5	5	9	8	4	0
Inflation Linked Securities B		15	19	15	12	9	0
Diversified Strategies Income		16	17	16	15	15	12
Property B		6	9	10	12	14	16
Australian Equities B		6	12	16	22	25	33
International Equities B		4	10	14	18	21	27
Diversified Strategies Growth B		0	0	5	8	10	10
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: 'B' portfolios are suitable for investors subject to tax or those investors able to take advantage of franking credit refunds.

# Investment Portfolios

During the year, the funds held a mild overweight to equities and subsequent underweight to the debt sectors, such as Fixed Interest and Inflation Linked Securities. The positions were within the asset class ranges defined for the portfolios.

Funds SA held its annual investment strategy review in early 2015. The review considered the current financial market environment, where an extended period of lower returns is expected, and the implications for achieving the multi-sector funds' investment objectives. Consideration of these issues will continue in the 2015-16 financial year.

## Fees are broadly in line with industry benchmarks

A prime management objective for Funds SA is to achieve the funds' investment objectives over the long term net of all fees and costs.

For the 2014-15 financial year, Funds SA's Balanced and Growth (tax-exempt) funds had indirect cost ratios of 0.63% and 0.70%, respectively. These were broadly in line with the relevant industry benchmarks, acknowledging that Funds SA's portfolios have meaningful allocations to alternatives and highly sophisticated strategies, such as absolute return strategies, private equity and infrastructure, which tend to attract higher fees.

The Chant West<sup>4</sup> MySuper Default fund average was 0.60%, while the Chant West Growth fund average was 0.69% (includes funds with between 61% and 80% growth assets).

Maintaining a value for money investment service remains a focus of attention for the Funds SA Board, Management and staff.

## Funds SA asset classes

Funds SA operates single sector funds covering a diversified range of asset classes. These are the building blocks for the multi-sector funds and the majority are also available to investors as direct investment offerings.

The single sector funds cover cash, fixed interest, property, equities and alternative asset classes. Each fund has a defined sector strategy implemented via the engagement of a suite of external investment managers. Descriptions of the asset class portfolios and their underlying investments are provided in the following table.

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<sup>4</sup> Source: Chant West Pty Limited ([www.chantwest.com.au](http://www.chantwest.com.au)). Super Fund Fee Survey June 2015. For important information about the data provided by Chant West, refer page 21.

# Investment Portfolios

## Funds SA asset class portfolios

Net market value\*  
of asset classes as  
at 30 June 2015

Asset class	\$m	Investments
Cash	1324.1	Exposure to Australian short term interest rate sensitive debt instruments, such as bank bills, which provide a high level of liquidity with minimal risk of capital loss.
Fixed Interest	2373.9	<i>Short Term Fixed Interest:</i> Exposure to Australian debt instruments providing principal repayment at maturity and coupon payments at regular intervals until maturity. <i>Long Term Fixed Interest:</i> Exposure to Australian and global debt instruments providing principal repayment at maturity and coupon payments at regular intervals until maturity. International assets are hedged to the Australian dollar. <i>Fixed Interest (MAC):</i> Funds SA manages a liability matched fixed interest portfolio for the Motor Accident Commission.
Inflation Linked Securities	2191.3	Exposure to Australian and global debt securities providing a fixed rate of return in excess of an index related to the general level of prices in the economy, such as the Consumer Price Index or Average Weekly Earnings. International assets are hedged to the Australian dollar.
Diversified Strategies Income	3898.5	Investment opportunities with expected returns between that of bonds and equities, not readily classifiable within the other asset classes. Includes investments in investment grade credit, emerging market debt, high yield securities and absolute return strategies. International assets are hedged to the Australian dollar.  Funds SA also manages a modified strategy for the Motor Accident Commission which focuses on investment grade securities.
Property	2916.6	Exposure to Australian listed and unlisted property.
Australian Equities	5339.3	Equity exposure to companies listed on the Australian Securities Exchange.
International Equities	5620.0	Equity exposure to companies listed on international stock exchanges. Includes dedicated exposures to emerging markets and small companies. 50% of the developed markets component is hedged to the Australian dollar.
Diversified Strategies Growth	1833.1	Investment opportunities with expected returns in excess of the long term expectation for listed equities, not classifiable within the other asset classes. Includes investments in private equity, infrastructure, opportunistic property and other opportunities. International assets are hedged to the Australian dollar.
Alternatives	168.5	Funds SA manages two alternative investment portfolios for the Motor Accident Commission, consisting of absolute return type strategies and infrastructure.

\* Portfolio values include the combined values of the A (tax-exempt) and B (taxable) portfolios.

# Investment Portfolios

To implement the investment strategies for tax-exempt and taxable investors, separate pools of assets have been set up for certain asset classes: Property, Australian Equities, International Equities, Diversified Strategies Growth and Inflation Linked Securities. Tax exempt funds invest in the 'A' portfolios whilst taxable funds invest in the 'B' portfolios. The other asset classes are common to both tax-exempt and taxable investors. The 'A' and 'B' portfolios have been structured to provide similar investment outcomes with respect to expected risk and return.

The Funds SA Socially Responsible fund invests in AMP Capital's Responsible Investment Leaders Balanced Fund; it does not invest in Funds SA's asset classes.

## **All asset classes produced positive returns for the financial year, with growth investments generally being the strongest performers**

The table overleaf shows Funds SA's asset class returns for periods ending 30 June 2015, compared to benchmark returns.

In an absolute return sense, International Equities and Diversified Strategies Growth were the strongest performing asset classes for the year ending 30 June 2015. Given this, the multi-sector funds with higher allocations to such assets outperformed funds with more defensive allocations over the period.

In terms of benchmark-relative performance, many of the asset classes achieved returns above their respective benchmarks for the year, as shown in the following table.

# Investment Portfolios

## Funds SA asset class returns for periods ending 30 June 2015

Portfolio returns net of fees and gross of tax

	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
<b>Cash</b>					
Portfolio return	2.7	3.0	3.8	4.0	4.7
Benchmark return	2.6	2.9	3.6	3.9	4.7
<b>Short Term Fixed Interest*</b>					
Portfolio return	3.6	3.6	5.1	n.a.	n.a.
Benchmark return	4.0	3.6	5.0	n.a.	n.a.
<b>Long Term Fixed Interest</b>					
Portfolio return	7.0	6.5	7.9	8.6	7.0
Benchmark return	7.6	6.5	7.3	8.1	7.0
<b>Inflation Linked Securities A</b>					
Portfolio return	5.0	5.3	7.7	7.1	6.6
Benchmark return	5.4	4.4	7.3	6.1	5.9
<b>Diversified Strategies Income</b>					
Portfolio return	4.1	6.9	8.7	8.8	8.6
Benchmark return	3.9	6.5	8.1	8.6	8.3
<b>Property A</b>					
Portfolio return	11.1	10.7	10.0	1.7	2.5
Benchmark return	11.6	10.5	9.8	1.5	2.3
<b>Australian Equities A</b>					
Portfolio return	5.9	15.0	9.0	5.0	6.7
Benchmark return	5.6	14.7	9.5	5.1	6.9
<b>International Equities A</b>					
Portfolio return	18.2	23.3	16.0	9.3	8.4
Benchmark return	17.7	21.9	14.9	8.8	7.8
<b>Diversified Strategies Growth A</b>					
Portfolio return	12.4	12.3	13.5	7.4	10.1
Benchmark return	6.7	6.9	7.7	8.0	8.7
<b>Inflation Linked Securities B</b>					
Portfolio return	4.4	4.7	6.8	6.2	6.0
Benchmark return	5.0	4.3	7.0	5.9	5.7
<b>Property B*</b>					
Portfolio return	10.3	9.7	9.5	1.8	n.a.
Benchmark return	11.6	10.5	9.8	1.7	n.a.
<b>Australian Equities B*</b>					
Portfolio return	6.1	14.8	8.6	4.7	n.a.
Benchmark return	5.6	14.7	9.5	5.1	n.a.
<b>International Equities B*</b>					
Portfolio return	18.8	23.2	15.8	9.4	n.a.
Benchmark return	17.9	22.1	15.0	8.7	n.a.
<b>Diversified Strategies Growth B*</b>					
Portfolio return	11.4	11.7	12.7	6.1	n.a.
Benchmark return	6.7	6.9	7.7	8.0	n.a.

Note: 'A' portfolios are suitable for tax-exempt investors. 'B' portfolios are suitable for investors subject to tax or those investors able to take advantage of franking credit refunds.

\* Data not available for certain time periods as portfolios do not have the relevant history.



# Investment Portfolios

## Funds SA asset class returns for periods ending 30 June 2015 (continued)

Portfolio returns net of fees and gross of tax

	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
<b>Fixed Interest (MAC)*</b>					
Portfolio return	4.8	3.8	5.6	6.6	n.a.
Benchmark return	5.1	3.9	5.7	6.6	n.a.
<b>Diversified Strategies Income (MAC)*</b>					
Portfolio return	3.8	5.8	n.a.	n.a.	n.a.
Benchmark return	4.5	5.9	n.a.	n.a.	n.a.
<b>Infrastructure (MAC)*</b>					
Portfolio return	9.7	n.a.	n.a.	n.a.	n.a.
Benchmark return	5.7	n.a.	n.a.	n.a.	n.a.
<b>Absolute Return (MAC)*</b>					
Portfolio return	7.1	8.4	n.a.	n.a.	n.a.
Benchmark return	5.7	6.6	n.a.	n.a.	n.a.

\*Data not available for certain time periods as portfolios do not have the relevant history.

## Investment managers

Funds SA employs a 'manager of managers' approach, meaning professional investment managers are engaged to manage portfolios in each asset class. Listed below are the investment managers engaged within each of the asset classes as at 30 June 2015.

### Appointed investment managers as at 30 June 2015

Asset Class	Investment managers
Cash	Macquarie Investment Management Limited
Short Term Fixed Interest	Aberdeen Asset Management Limited
Long Term Fixed Interest	BlackRock Investment Management (Australia) Limited Brandywine Global Investment Management LLC Colchester Global Investors Limited
Inflation Linked Securities	Aberdeen Asset Management Limited Ardea Investment Management Pty Ltd Colchester Global Investors Limited Colonial First State Global Asset Management Funds SA (internally managed portfolio)
Diversified Strategies Income	Ares Management LLC BlueBay Asset Management Brandywine Global Investment Management LLC Bridgewater Associates LP. Columbia Threadneedle Investments GMO Australia Limited LGT Capital Partners Ltd. Macquarie Investment Management Limited Oak Hill Advisors LP. Wellington Management Company LLP

# Investment Portfolios

## Appointed investment managers as at 30 June 2015 (continued)

Asset Class	Investment managers
Property	AMP Capital Investors Limited CorVal Partners Ltd Dexus Wholesale Property Limited GPT Funds Management Limited Investa Funds Management Ltd Lend Lease Real Estate Investments Limited Novion Property Group Vanguard Investments Australia Ltd
Australian Equities	Balanced Equity Management Pty Limited BlackRock Investment Management (Australia) Limited Greencape Capital Pty Ltd Investors Mutual Limited Karara Capital Pty Limited Vinva Investment Management Limited
International Equities	AQR Capital Management LLC DFA Australia Limited Fidelity Investment Management (Australia) Limited Genesis Investment Management LLP Harding Loevner LP Invesco Australia Limited Lord Abbett & Co. LLC LSV Asset Management MFS Investment Management Mondrian Investment Partners Limited Wellington Management Company LLP
Diversified Strategies Growth	Adams Street Partners LLC Advent Private Capital Pty Ltd Archer Capital Pty Ltd Archer Capital Growth Funds Pty Ltd Ardian Bain Capital LLC Baring Private Equity Asia Group Bayview Asset Management LLC BlackRock Global Real Estate The Blackstone Group Bridgewater Associates LP. The Carlyle Group Castle Harlan Australian Mezzanine Partners Pty Limited CBRE Global Investors Cerberus Capital Management L.P. CHAMP Ventures Pty Limited Collier Capital Ltd Crescent Capital Partners Ltd Drum Capital Management LLC Dune Real Estate Partners LP EIG Global Energy Partners EQT Funds Management Ltd Europa Capital LLP Forum Partners Investment Management LLC Global Infrastructure Partners L.P.

# Investment Portfolios

## Appointed investment managers as at 30 June 2015 (continued)

Asset Class	Investment managers
Diversified Strategies Growth (continued)	Goldman Sachs Asset Management L.P. Hastings Funds Management Limited HealthCare Royalty Partners Infrared Capital Partners Limited Lexington Partners L.P. LGT Capital Partners Ltd. Next Capital Pty Limited Ocean Avenue Capital Partners L.P. Pacific Alliance Investment Management Limited Pacific Equity Partners Pty Limited Palisade Investment Partners Limited Pantheon Ventures LLP Partners Group AG Paul Capital Partners LLC Quadrant Private Equity Pty Limited Rialto Capital Management LLC ROC Capital Pty Limited Rockspring Property Investment Managers Ltd Russell Real Estate Advisors Inc. Secured Capital Japan Co. Ltd Siguler Guff & Company LP. Stafford Capital Partners Starwood Capital Group SUN-AREA Property Partners True North Management Group Warburg Pincus LLC Wilshire Associates Inc
Fixed Interest (MAC)	Colonial First State Global Asset Management
Diversified Strategies Income (MAC)	Loomis Sayles and Company L.P. Macquarie Investment Management Limited Pacific Investment Management Company LLC (PIMCO)
Infrastructure (MAC)	Hastings Funds Management Limited
Absolute Return (MAC)	Bridgewater Associates LP.
Socially Responsible	AMP Capital Investors Limited

# Investment Portfolios

## Portfolio changes

Funds SA's continual monitoring and annual sector reviews re-evaluate the appropriateness of investment strategies and managers on a frequent basis. The following changes were made to the asset classes during the 2014-15 financial year.

### Portfolio changes during 2014-15 financial year

Asset Class	Changes
Long Term Fixed Interest	<ul style="list-style-type: none"><li>■ The appointment of BlackRock to manage an indexed long-duration Australian bond mandate.</li><li>■ The removal of PIMCO from the portfolio.</li></ul>
Diversified Strategies Income	<ul style="list-style-type: none"><li>■ The appointment of BlueBay Asset Management to manage a European investment-grade credit mandate and Columbia Threadneedle Investments to manage a US investment-grade credit mandate.</li><li>■ The appointment of Oak Hill Advisors to manage a diversified sub-investment grade credit mandate.</li><li>■ The removal of PIMCO and Loomis Sayles from the portfolio.</li><li>■ The AMP Structured High Yield Fund wound up during the period.</li></ul>
International Equities	<ul style="list-style-type: none"><li>■ The indexed mandate previously managed by BlackRock was replaced with a low active risk strategy managed by Invesco.</li><li>■ Three additional global mandates managed by Harding Loevner, LSV and Mondrian were added to the B portfolio, consistent with the manager structure for the A portfolio.</li></ul>
Diversified Strategies Growth	<ul style="list-style-type: none"><li>■ Commitments were made to two new managers within the international private equity sub-sector, HealthCare Royalty Partners and Pacific Alliance Investment Management.</li><li>■ Investment in Palisade's Australian Social Infrastructure Fund and Diversified Infrastructure Fund.</li></ul>

## Environmental, social and governance factors

In evaluating investment opportunities, Funds SA's appointed investment managers consider the many risks inherent in each investment. In most cases this includes environmental, social and governance (ESG) factors, where relevant, as managers acknowledge that such issues have the potential to impact on performance.

In the socially responsible option, underlying investment managers actively incorporate the consideration of ESG factors in their investment decisions and also avoid companies operating in areas of high negative social impact. The fund invests in line with the socially responsible investment criteria established by the product provider.

# Investment Portfolios

The investment managers are active and diligent representatives of Funds SA's stakeholders' interests as shareholders in companies in the portfolio. The majority of Funds SA's investment managers adopt a positive engagement approach, working directly with the management of companies in which Funds SA invests in order to achieve any change necessary to improve the financial performance and risk management of the company.

All managers are active in exercising their right to vote at general meetings of companies in which Funds SA is invested. The managers' guiding principle is to vote in the best financial interest of stakeholders on the numerous issues raised at general meetings of companies.

Further, where possible, investments in tobacco companies have been excluded from the portfolios. In doing so, Funds SA acknowledges the Government's public health objectives, general community attitudes to smoking and the composition of the membership of the State's superannuation schemes which contain a large number of health professionals.

Funds SA's Statement on ESG Issues is available on the Funds SA website and provides further details on Funds SA's approach.

## Chant West

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The data provided by Chant West does not contain all of the information that is required in order to evaluate the nominated service providers, and you are responsible for obtaining such further information.

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# Governance

## Statutory structure and functions

Funds SA was established in July 1995 under the *Superannuation Funds Management Corporation of South Australia Act 1995* (Funds SA Act). It became the successor organisation to the South Australian Superannuation Fund Investment Trust (SASFIT). Funds SA's role is to invest and manage the funds of South Australia's public sector superannuation schemes and approved authorities.

Funds SA's role in respect of these monies is defined in sections 5, 5A and 7, respectively, of the Funds SA Act.

## Direction of the Minister

In the performance of its functions, the Corporation is subject to the direction and control of the Minister. The appointed Minister is the Minister for Finance. A Ministerial direction must be communicated to the Corporation in writing, included in the annual report of the Corporation, published in the Government Gazette within seven days after the direction is given and must not include a direction to the Corporation in relation to an investment decision, dealing with property or the exercise of a voting right.

There were no directions received from the Minister in the financial year to 30 June 2015.

## Minister's authorisations

The Regulations under the Funds SA Act provide for restrictions on the investment of the funds. Regulation 16 states that the Corporation must not invest the funds under management in a range of specific investment categories unless authorised by the Minister.

There were no new authorisations from the Minister in the financial year to 30 June 2015.

## Corporate Governance Policy

Funds SA's Corporate Governance Policy, based on the Corporate Governance Principles and Recommendations (3rd edition) issued by the Australian Securities Exchange, provides a framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in Funds SA. The policy was reviewed during the year and is available via the Funds SA website: [www.funds.sa.gov.au](http://www.funds.sa.gov.au).

## Investment Policy Statement

Funds SA's Investment Policy Statement details the investment strategy, the objectives of each investment fund and provides parameters in which the strategy is to be implemented. It is reviewed and endorsed by the Funds SA Board on a regular basis and is implemented by Management.

## Funds SA Board

The Funds SA Board is directly responsible for the management of the Corporation. The Funds SA Act states that the Board of Directors is established as the governing body of the Corporation and that the Chief Executive Officer is responsible to the Board for the day-to-day management of the Corporation.

# Governance

## Role of the Chairman

The Chairman of the Board performs the critical role of managing the relationship between the Board and the Chief Executive Officer. The Chairman also ensures that appropriate board procedures and processes are in place, so that all relevant issues are considered by the Board. The Chairman is responsible for:

- Ensuring that, when all board members take office, they undertake appropriate induction including the terms of their appointment, their duties and responsibilities
- Overseeing the provision of adequate information to enable the board members to make properly informed and effective decisions
- Representing the views of the Board to the Minister and key stakeholders
- Ensuring the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual directors
- Guiding the agenda and conduct of all board meetings, and
- Reviewing the performance of the Board overall and of individual directors.

## Board membership

The Board consists of at least five, but not more than, seven directors. One director is elected by contributors; that is, by members of the Southern State Superannuation Scheme and by contributors within the meaning of the *Superannuation Act 1988* or the *Police Superannuation Act 1990*. One is appointed by the Governor of South Australia on the nomination of the South Australian Government Superannuation Federation. The other potential five directors of the Board are appointed by the Governor of South Australia on the nomination of the Minister. Directors are appointed for a term not exceeding three years and are eligible for re-appointment at the end of their term.

If the Board consists of five directors, a quorum of the Board consists of three directors. If the Board consists of six or seven directors, a quorum of the Board consists of four directors. The presiding director of the Board is appointed by the Minister. The experience, qualifications and skills required of directors are specified in the Funds SA Act.

As at 30 June 2015, the Board comprised seven directors. The following Board appointments were made during the year: Mr Kevin Foley was appointed on 21 August 2014, and Mr James Baulderstone and Ms Kathryn Presser were appointed on 2 December 2014. Each appointment was for a three year period. Mr Baulderstone has, since 30 June 2015, resigned from the Board effective 30 July 2015 due to his new corporate responsibilities at Santos.

## Board responsibility and delegation

The Board has a leadership role in establishing and promoting Funds SA's values. It approves the Corporation's strategic direction and investment risk parameters; it agrees to the organisational framework within which staff are expected to work; it reviews the integrity of the organisation's operating and risk management systems and the effectiveness of its own operations and it monitors performance, ensuring that the interests of stakeholders are protected and legislative objectives and requirements are met.

# Governance

Directors and employees are expected to uphold the Corporation's values, are required to abide by the Corporation's corporate governance systems, are directly accountable and responsible for their actions and are supported by internal controls in key risk and result areas. In line with this approach, the Board has made an appropriate delegation of decision making, whilst ensuring that appropriate controls and risk management disciplines are in place for the Board to discharge its fiduciary responsibilities.

Directors are expected to act honestly and fairly in all dealings, avoid and proactively manage conflicts of interest, exercise care, skill and diligence in all activities, and ensure a sound and thorough process underpins all decision-making, in accordance with the duties and responsibilities bestowed upon them by the Funds SA Act, relevant legislation and Funds SA Board policies.

## Matters considered by the Board

The Funds SA Board guides its activities and meeting agendas in accordance with a carefully planned program with the aim of ensuring that all key areas of operational and strategic risk management are considered and reviewed by the Board at least annually.

The Board's deliberations are informed by specific decision and information papers presented to board meetings by the Chief Executive Officer and other parties, which cover investment, governance and other specific operational issues. The Chief Executive Officer also presents reports to each board meeting that provide detailed information on progress with key issues, portfolio investment performance, operational issues and other significant developments since the previous meeting of the Board.

During the past year, the Board reviewed and made decisions with respect to a broad range of issues, including reviews of the multi-sector funds and asset classes. Issues considered that were specifically of a governance nature included reviews of policies relating to Corporate Governance, Compliance, Business Continuity Management, Protective Security, and Fraud and Corruption Control. Also considered were reviews of the Instrument of Delegation and Audit & Risk Committee Charter. The Board also participated in an evaluation of its performance.

Consistent with long-standing practice, on at least a quarterly basis, the Chairman formally asks Directors and Management if they are aware of any issues concerning the failure or possible failure of the Corporation to comply with its statutory and financial reporting functions.

## Conflict of interest

The Board has endorsed a code of ethics that establishes standards of duty for Directors to disclose and manage any potential conflicts of interest and to maintain the confidentiality of information they receive as Directors.

The principles of the Funds SA Board Code of Ethics are:

1. Board members owe a fiduciary duty to the Corporation. The duty requires the members to act honestly, in the interests of the Corporation and in the utmost good faith.
2. Board members are by virtue of their office as members, public officers. A public office is an office of trust and confidence.
3. Board members are not representatives of any interests. They are responsible for their own views and decisions, and are required to apply the legislation as approved by Parliament.
4. A member is required to disclose to the Corporation all non-confidential information held by the member (including any information obtained from a member's involvement with stakeholders and



# Governance

other interests) that may be of material relevance to a matter under consideration by the Corporation. The member cannot profit, or advance his or her personal interests, from his or her position as a Director.

In compliance with the Funds SA Board Code of Ethics, the Corporation informed the Minister for Finance of the following conflicts of interest declared at Funds SA Board meetings:

- At the Funds SA Board meeting of 14 July 2014, Dr Helen Nugent declared a conflict of interest in relation to her directorship of Macquarie Group Limited and one component of the Debt Sector Annual Review proposal which required a board decision on retaining Macquarie as the manager for the Funds SA Cash portfolio. Accordingly, Dr Nugent received an amended board paper and absented herself from the meeting whilst the relevant portfolio manager appointment was being considered.
- At the Funds SA Board meeting of 18 May 2015, the Chairman indicated that Mr Kevin Foley had a conflict of interest in relation to a matter for discussion due to his previously declared directorship of Motor Accident Commission. Mr Foley left the meeting while the matter was discussed and did not receive the papers tabled in his absence.
- At the Funds SA Board meeting of 15 June 2015, Mr Kevin Foley's conflict of interest was noted in relation to a matter for discussion due to his previously declared directorship of Motor Accident Commission. Mr Foley did not receive the related board paper and absented himself from the meeting while the matter was discussed.

## Code of conduct for employees

A Code of Conduct providing guidance on behaviour and disclosure and management of potential conflicts of interest for all employees was observed during the year, with no breaches being confirmed. The Code of Conduct for Employees incorporates the principles of the 'Code of Ethics – SA Public Sector', and requires Funds SA staff to:

1. Comply with the functions and objectives of the Corporation.
2. Observe all relevant legislative requirements, Funds SA policies and procedures, and lawful and reasonable instructions.
3. Act impartially and disclose real, apparent or potential conflicts of interest.
4. Treat stakeholders, service providers, the public and other employees with respect, having regard for the dignity of the people with whom they interact.
5. Perform their duties conscientiously, with professionalism, efficiency and integrity.
6. Conduct themselves in their private capacities in a manner that would not reflect seriously and adversely on the Corporation, fellow employees or the wider South Australian public sector.
7. Endeavour to collaborate and share information with other public sector agencies where it is appropriate to do so.
8. Be scrupulous in the use of Corporation information, equipment and facilities.
9. Ensure decisions have regard for the well-being of people and the environment, both now and for the future.

# Governance

10. Exercise proper standards of financial, information and resource management and accounting.
11. Take reasonable care to protect their own health and safety and the health and safety of others.
12. Not knowingly participate in, or allow the Corporation to become involved directly or indirectly in, any illegal activity.
13. Immediately report known or suspected inappropriate or corrupt conduct or other illegal conduct.
14. Not knowingly make a false disclosure which in itself is an offence.
15. At the earliest possible opportunity advise their manager if they are charged with a criminal offence.

## Performance evaluations

During the year, each Funds SA Director participated in a confidential survey covering the operations and performance of the Board and its sub-committees.

The following performance criteria are taken into account when evaluating performance.

Each Director:

- Has a clear and shared view of their role
- Has an appropriate level of involvement in key strategic decisions
- Ensures processes are in place to monitor performance, control of risk, compliance, succession, levels of delegation, remuneration and financial performance
- Is able to critically evaluate the diversity of information emanating from the Corporation and keep apprised of key issues within the industry in which Funds SA operates
- Monitors and assesses the performance of Management in meeting strategic and operational objectives and budgets
- Maintains and develops constructive relationships between Directors, Management and staff, and
- Maintains with other Directors cohesive support of board decisions.

The Board discussed the results and the Chairman met individually with each Director.

## Audit & Risk Committee

The Funds SA Act requires that the Corporation must establish an audit committee. This Committee is required to comprise members of the Board and such other persons as the Funds SA Board may from time to time appoint.

The Audit & Risk Committee is an independent sub-committee of the Board comprising four independent non-executive Directors. The Committee is chaired by Mr Leigh Hall AM. The Committee operates under a clearly defined and documented Charter established by the Board.

# Governance

The Charter states that the Committee has three specific responsibilities, being to:

- Review the quality of external financial reporting
- Review the adequacy and effectiveness of internal controls, and
- Assist in maintaining an effective and efficient external audit.

The Corporation's Chief Executive Officer, Manager Governance, Risk and Compliance, Chief Financial Officer, the internal and external auditors and all Funds SA Directors, are invited to attend Audit & Risk Committee meetings.

During the past year, the Audit & Risk Committee considered a range of issues. Issues considered that were specifically of a governance nature included a review of policies relating to Compliance, and Fraud and Corruption Control. Also reviewed were the 2015 financial statements and valuations, implementation of the Compliance Program, Audit & Risk Committee Charter, Instrument of Delegation and the relevant internal and external audit plans.

The Committee submitted an annual report to the Board which facilitates the Board's evaluation of its performance. The performance of the Audit & Risk Committee was reviewed as part of its annual report preparation process.

## Human Resources Committee

The Human Resources (HR) Committee is an independent sub-committee of the Board, with responsibilities under a Charter established by the Board to:

- Make recommendations to the Board regarding the appointment, performance assessment and remuneration of the Chief Executive Officer
- In consultation with the Chief Executive Officer, make recommendations to the Board regarding the performance assessment and remuneration parameters of senior staff
- Make recommendations to the Board regarding the remuneration guidelines and key conditions of employment for other staff
- Consider important human resource management issues such as Management succession planning and knowledge management
- Provide advice and guidance to the Chief Executive Officer on resolving human resource management issues of substance, and
- Consider and recommend to the Board the approval of key HR and work health and safety (WHS) policies, and reports on WHS performance.

The Committee comprises the Chairman of the Board and three Directors. The Chief Executive Officer attends, and any Directors who are not members of the HR Committee are invited to attend meetings.

During the year, the Committee considered organisational health, culture, Management succession planning and WHS performance; reviewed the Code of Conduct for Employees, and WHS and Information Privacy policies; considered the negotiation parameters for the Enterprise Agreement; and made recommendations to the Board regarding the appointment of the new Chief Executive Officer.

The performance of the HR Committee was reviewed as part of the Board's annual performance review.

# Governance

## Risk management

Funds SA maintains a rigorous and proactive approach to identifying, managing and controlling all aspects of strategic and operational risk. This approach is approved by the Board and is consistent with applicable standards. The approach:

- Defines the risk management process for Funds SA which includes a formal annual risk assessment process (i.e. risk identification through a business risk analysis with participation by each operational area, risk analysis whereby risks greater than the relatively minor acceptable risks are determined, and risk evaluation whereby Funds SA's risk appetite is applied to establish adequate management controls)
- Facilitates the development and maintenance of a corporate risk register, which identifies the significant risks for Funds SA, the management controls in place to reduce those risks to an acceptable level and any actions required to ensure the adequacy of management controls, and
- Sets out roles and responsibilities including for the Board, Audit & Risk Committee and Funds SA employees.

The Audit & Risk Committee oversees Funds SA's risk management approach and systems, including receiving reports from the internal and external auditors and Manager Governance, Risk and Compliance regarding the effectiveness of Funds SA's management controls.

## Accounting policies

The Corporation has a set of documented accounting policies covering the form and content of the financial statements, the application of significant accounting standards and policies, and the valuation of investments. All accounting policies were formally reviewed during the year.

## Financial reporting and auditing

All financial reporting – periodic Management, financial, statutory and ad hoc reports – comply with Australian Accounting Standards where practicable and all relevant legislation. To ensure ongoing stakeholder confidence, such information must be reliable, complete, accurate, relevant and timely. These reports undergo a detailed quality assurance process by Funds SA Management prior to publication. The Audit & Risk Committee formally reviews the annual financial statements prior to consideration by the Board.

## Statutory reporting

All statutory reporting requirements of both the Funds SA Act and external regulatory requirements were delivered on time during the year.

Requirements under the Funds SA Act include performance plans, six and 12-month performance reports, annual financial statements and the annual report. External reporting requirements included Australian Bureau of Statistics returns, Australian Securities and Investment Commission returns for subsidiary companies, tax returns and whole-of-government financial information provided to the Department of Treasury and Finance.

# Governance

## Internal audit

In compliance with section 27 of the Funds SA Act, the Corporation must establish and maintain effective internal auditing of its operations and the funds.

Funds SA's internal audit function is outsourced to PricewaterhouseCoopers. Internal Audit has direct access to the Audit & Risk Committee and the Chief Executive Officer and is responsible for implementing the Internal Audit Plan approved by the Audit & Risk Committee. Internal Audit tables its reports at Audit & Risk Committee meetings. Progress with the implementation of recommendations arising from these reports is monitored at each Committee meeting.

## External audit

To comply with section 28 of the Funds SA Act and the *Public Finance and Audit Act 1987*, the Auditor-General of South Australia performs a comprehensive annual audit of Funds SA's activities. During the year, executives of the Auditor-General's Department attended each Audit & Risk Committee meeting and participated in discussion of issues before the Committee. The executives also met with the Committee without the presence of Management.

## Fraud

Funds SA has a Fraud and Corruption Control Framework in place for which employees periodically receive training.

There were no instances of fraud detected in 2014-15.

## Whistleblowers

Funds SA's Whistleblowers Policy provides the means by which direct disclosure of public interest information about for example, maladministration, illegal activity, and conduct that causes substantial risks to public health or safety, may be made to a Funds SA Responsible Officer or appropriate authorities, in accordance with the *Whistleblowers Protection Act 1993* (WPA).

Funds SA has Responsible Officers for the purposes of the WPA pursuant to Section 7 of the *Public Sector Act 2009*. During 2014-15, there were no instances of disclosure of public interest information to a Responsible Officer of the Corporation under the WPA, nor was Funds SA advised of any disclosure to an appropriate authority.

## Freedom of information

Funds SA is exempt from the disclosure requirements of the *Freedom of Information Act 1991* under Schedule 2 (n) – Exempt Agencies. The entity named in this Act is the South Australian Superannuation Fund Investment Trust, which continues in existence under the name Superannuation Funds Management Corporation of South Australia (trading as Funds SA), as stated in the Funds SA Act.

# Board of Directors

As at 30 June 2015, Funds SA was governed by a Board of seven non-executive Directors. A brief profile of each Director is presented below.

## **Helen Nugent AO, Chairman, Independent Non-Executive Director**

BA (Hons), PhD (Qld), MBA (Distinction) (Harvard), HonDBus (Qld), FAICD, SF Fin

Dr Nugent is Chairman of the Funds SA Board, Chairman of the Human Resources Committee and a member of the Audit and Risk Committee. She has been a Funds SA Director since December 2000 and was last re-appointed in November 2012.

Dr Nugent brings to the Board extensive experience in the financial services and resources sectors. She has held both executive and non-executive director roles within major Australian and international financial organisations. A professional non-executive director since 1999, she is recognised nationally for her contribution to business, the arts, education and the community.

Dr Nugent is Chairman of Veda Group Limited and a Director of Origin Energy. In the not-for-profit sector, she is Chairman of the National Portrait Gallery; Chancellor of Bond University; President of Cranbrook School; and a member of the Australian Olympic Foundation.

In the financial services sector, Dr Nugent was formerly Director of Strategy at Westpac Banking Corporation; Chairman of Swiss Re Life & Health; a Non-Executive Director of Macquarie Group, the State Bank of New South Wales and of Mercantile Mutual; and a Partner with McKinsey & Company.

Dr Nugent lives in Sydney.

## **Kevin Crawshaw, Independent Non-Executive Director**

BSc (Hons), Dip.Ed., MBA, FAICD

Mr Crawshaw is a Director and member of the Audit and Risk Committee. Mr Crawshaw was elected as a Director by the members of the South Australian Government Superannuation Schemes in October 2009 and was re-appointed in October 2012. He was previously a Director of the Board from 1995 to 2006.

Mr Crawshaw brings to the Board expertise in finance and corporate governance. He has worked in the SA public health system as a hospital Chief Executive Officer as well as in a number of policy and corporate support positions. His directorships and work in the health industry enhance the Board's appreciation of public and private sector functions. Mr Crawshaw was previously a Director of Savings and Loans Credit Union (SA) Ltd, serving as chair of the Board and later as Chair of the Board's Audit Committee.

He is currently a Director of Health Partners where he chairs the Board's Corporate Governance Committee.

Mr Crawshaw lives in Adelaide.

# Board of Directors

## Hon Kevin Foley, Independent Non-Executive Director

Mr Foley is a Director and member of the Human Resources Committee. He was appointed to the Funds SA Board on 21 August 2014.

Mr Foley has had a 24 year career in politics, firstly as a Ministerial Advisor to a State Minister, Chief of Staff to a State Premier and then being elected to Parliament in his own right in 1993. He was the South Australian Deputy Premier and State Treasurer from 2002 to 2011, and a Minister for various Portfolios for a period of 10 years until 2012.

As at 30 June 2015, he is a non-executive director of the South Australian Motor Accident Commission and the Sammy D Foundation. He is also a Director of Foley Advisory Pty Ltd.

Mr Foley lives in Adelaide.

## Leigh Hall AM, Independent Non-Executive Director

BEc, FCA, FCPA, FCIS, SF Fin, FAICD

Mr Hall is a Director and Chairman of the Audit and Risk Committee. He has been a Funds SA Director since February 2001 and was last re-appointed in November 2012.

A professional non-executive director since 1999, Mr Hall brings to the Board a wealth of finance and investment experience from a career in both the public and private sector. He was Chairman of the Australian Investment Managers Association and was twice President of the Securities Institute of Australia.

Mr Hall is currently a Non-Executive Director of Enirgi Group Corp. and Iron Road Limited and was previously a Non-Executive Director of Invernia Inc. He was formerly Deputy Managing Director of AMP Asset Management Australia Limited, with 35 years' experience managing AMP's insurance investments, and has served on Federal Government commissions and committees.

Mr Hall lives in Sydney.

## Jan McMahon, Independent Non-Executive Director

BA (Hons), FAICD, FAIST

Ms McMahon is a Director and member of the Human Resources Committee. She has been a Funds SA Director since July 1999 and was last re-appointed in July 2014.

Ms McMahon was appointed to the Board by the Governor of South Australia upon the nomination of the South Australian Government Superannuation Federation.

Ms McMahon brings to the Board public and private sector experience and expertise in the areas of workplace safety, workers' rehabilitation and compensation. Her long commitment to South Australia's public sector employees and directorship of Super SA contributes to her role on the Funds SA Board.

Currently General Secretary of the Public Service Association of South Australia, Ms McMahon is also South Australian Branch Secretary and Federal President of the Community and Public Sector Union (State Public Services Federation Group). Ms McMahon is Secretary of the SA Government Superannuation Federation and the Chairman of Health Partners. She is also a Director of the Super SA Board, a Member of the

# Board of Directors

Southern Select Superannuation Corporation and a Director of People's Choice Credit Union Board (as well as being Chair of the Audit Committee). Other Directorships include Australian Central Services Pty Ltd, Financial Solutions Australasia Ltd and People's Choice Community Foundation Limited. Ms McMahon is a Member of SA Unions and the Australian Council of Trade Unions.

Ms McMahon lives in Adelaide.

## **Kathryn Presser, Independent Non-Executive Director**

BA(Acc), Grad Dip CSP, FCPA, FAICD, FCIS, AFAIM

Ms Presser is a Director and member of the Audit and Risk Committee. She was appointed to the Funds SA Board on 2 December 2014.

Ms Presser brings to the Board extensive experience in all aspects of financial, project and management accounting. She has widespread company secretarial experience in public listed and private companies in a wide range of industries and in particular over 18 years' experience at Beach Energy Limited. She also has broad governance and legislative experience through company director positions.

Ms Presser is currently a Chief Financial Officer / Company Secretary / Executive Vice President Corporate Services at Beach Energy Limited. She is also a Director of Mawson Petroleum Pty Ltd and Minda Incorporated, and a Council Member of the University of Adelaide and Walford Anglican Girls School.

Ms Presser lives in Adelaide.

## **James Boulderstone, Independent Non-Executive Director**

LLB (Hons), BSc (Hons)

Mr Boulderstone was appointed to the Funds SA Board on 2 December 2014, and was a Director and member of the Human Resources Committee. Subsequent to 30 June 2015, Mr Boulderstone resigned from the Funds SA Board due to his new corporate responsibilities at Santos.

## **Anne De Salis, Independent Non-Executive Director**

BA (Economics), MA, FAICD

Ms De Salis was a Director and member of the Human Resources Committee. Her term as a Funds SA Director ended on 1 December 2014.

## **David McMahon, Independent Non-Executive Director**

BSc, MBA, GradDipAppFinInv, F Fin, FAICD

Mr McMahon was a Director and member of the Audit & Risk Committee. His term as a Funds SA Director ended on 1 December 2014.



# Board of Directors

## Board meeting attendance

The following table provides details of attendance at Board, Trustee, Audit & Risk Committee and Human Resources Committee meetings during the financial year.

### Meeting attendance record 2014-15

Director	Meetings eligible to attend				Meetings attended			
	Board <sup>1</sup>	Trustee <sup>2</sup>	Audit & Risk	HR	Board <sup>1</sup>	Trustee <sup>2</sup>	Audit & Risk	HR
Dr Helen Nugent AO	10	2	4	2	10	2	4	2
Mr James Baulderstone	6	1		1	5	1		1
Mr Kevin Crawshaw	10	2	4		10	2	3	
Ms Anne De Salis	4	1		1	4	1		1
Mr Kevin Foley	9	2		2	9	2		2
Mr Leigh Hall AM	10	2	4		9	2	4	
Mr David McMahon	4	1	2		4	1	2	
Ms Jan McMahon	10	2		2	8	2		2
Ms Kathryn Presser	6	1	2		6	1	2	

1. Includes two additional Special Board Meetings.

2. Trustee meetings relate to Funds SA's investment trusts, discussed under Financial Management section of this report.

## Board remuneration

The rates of remuneration, allowances and expenses for board members are determined by the Governor of South Australia.

Members of the Board sub-committees receive fees for the additional duties undertaken. The payment of fees to members of the Audit & Risk and Human Resources Committees are consistent with those set by the Governor.

Further details of Directors' remuneration may be found in Note 10 to the Corporation's financial statements for the year ended 30 June 2015.

# Our People

Funds SA had a total of 30 employees as at 30 June 2015. Funds SA's organisational structure as at 30 June 2015 is shown in the chart below.

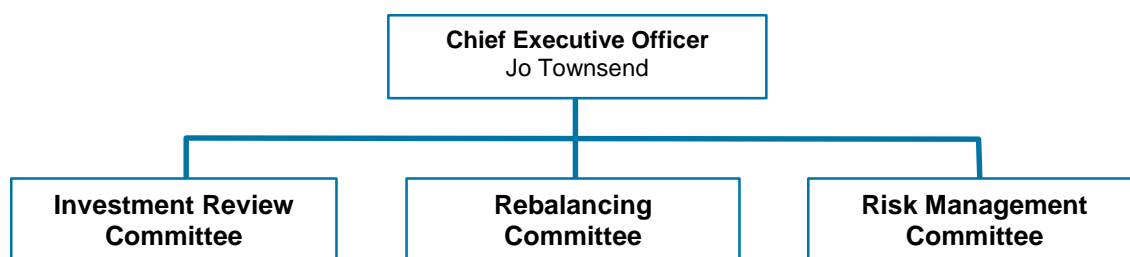
## Funds SA organisational structure as at 30 June 2015



# Our People

Funds SA has three key internal committees that meet as part of the investment decision making process. All three committees operate under defined charters. The Management committee structure is shown in the chart below.

## Funds SA Management committee structure



The Investment Review Committee meets at least monthly to consider asset allocation matters, review asset market valuations and risks and the possible impact on Funds SA's portfolios. The Committee also provides peer review of any major changes to the portfolio, including the annual multi- and single-sector reviews and manager appointments and terminations.

The Rebalancing Committee formally considers rebalancing and asset class positions at least monthly, with the purpose of ensuring that investment portfolios remain invested in accordance with approved investment strategies.

The Risk Management Committee meets monthly to review and monitor Funds SA's strategic risk exposures and to monitor the implementation of risk mitigation strategies. The Committee also identifies emerging risks. Some of the matters reviewed include portfolio and custodian compliance, liquidity and cashflows, and derivatives counterparty risk exposures.

## Employment arrangements and key policies

Funds SA staff are employed under the Funds SA Act, with most staff party to an enterprise agreement specifically negotiated for the Corporation and sanctioned by the Funds SA Board for approval by the Industrial Relations Commission SA. Other senior staff are employed under fixed term contracts approved by the Funds SA Board.

Funds SA's enterprise agreement and human resource policies aim to apply work practices and conditions of employment that will:

- sustain a flexible, supportive work environment where employees work largely independently and take responsibility for achieving results, but are also committed to the use of a team-based approach to work in a responsive structure, and are skilled and motivated to pursue continuous improvement and achieve best practice standards and outcomes
- foster the development of a strong organisational culture where professionalism, innovation, flexibility, accountability, responsibility, respect for stakeholders, outcome focus and high standards of service and ethical behaviour are prominent
- maintain the productivity, performance and effectiveness of the Corporation through the diligent management of expenditure, an emphasis on undertaking value-adding activities, and the use of a performance management system that promotes employee development and the achievement of outcomes
- assist employees to achieve a suitable balance between work and family responsibilities.

# Our People

## Equal opportunity, workforce diversity and disability awareness

Funds SA's Equal Opportunity and Prevention of Harassment Policy and supporting procedures and practices aim to:

- Provide equal opportunity in employment and in the provision and contracting of services
- Provide employment on the basis of merit
- Promote an environment free of discrimination, harassment and bullying
- Promote disability awareness, and
- Comply with equal opportunity legislation.

## Human resource development

Funds SA staff are employed across a number of financial disciplines, including specialists in investment management, fund implementation, fund accounting, risk management and compliance. At 30 June 2015, 83% of staff held tertiary qualifications, and several held post-graduate qualifications including:

- one Doctorate
- seven Masters degrees
- two Chartered Financial Analysts (CFA)
- four Certified Investment Management Analysts (CIMA)
- three Graduate Diplomas
- seven Certified Practising Accountants and Chartered Accountants.

Funds SA's staff, and in particular its investment team, are experienced professionals. Together they have over 330 years' combined experience in the finance industry. At 30 June 2015:

- Staff averaged 7.7 years at Funds SA with 11.0 years in the finance industry.
- Investment staff averaged 8.4 years at Funds SA with 14.2 years in the finance industry.

All employees have documented personal development plans. Plans are linked to business objectives and aim to ensure employees are skilled to perform their work competently, able to develop in an environment that promotes learning, continuous improvement and a high level of job satisfaction, and allows staff to remain at the forefront of their fields.

Funds SA's commitment to personal development is shown by an average of 36.3 external training and development hours per employee for the year, including leadership and management training.

During the year, one employee undertook studies towards a Chartered Financial Analyst qualification and three employees were awarded the Claritas Investment Certificate.

# Our People

## Healthy and safe environment

Funds SA is committed to the Safety and Wellbeing in the Public Sector Strategy and seeks to maintain a healthy and safe work environment where employees have a high level of job satisfaction.

Funds SA's umbrella WHS Policy is approved by the Board and is supported by a comprehensive suite of work health and safety (WHS) policies and procedures that are reviewed by a WHS Committee. The WHS Committee comprises four employees representing a cross-section of Funds SA. Three meetings were held during 2014-15.

WHS risk management activities are aligned with Funds SA's 'Approach to Risk Management' and are well integrated in normal operations. Activities include an annual WHS risk analysis, at least monthly workplace inspections, an employee assistance (personal counselling) program, biennial eyesight and ergonomic assessment for use of screen-based equipment, and the offering of influenza vaccinations to staff each year.

## Public complaints

No public complaints were received during 2014-15.

## Overseas travel

Overseas travel undertaken by Funds SA staff during the 2014-15 financial year is detailed below. In accordance with the reporting requirements, the figures below include employee salaries and on costs during the period of travel.

### Overseas travel during 2014-15

Number of Employees	Destinations	Reasons for Travel	Total Cost* \$
2	London, Boston, New York, Chicago, Austin	Meet with current managers to discuss performance and portfolio issues. Meet potential managers. Meet consultants to consider manager opinions and investment trends.	54 029
2	Zurich, Stockholm, London, Hong Kong	Meet with current managers to discuss performance and portfolio issues. Meet with consultants. Attend a private equity conference.	50 231

\*includes employee salary, on costs, travel, accommodation and conference fees, if any.

# Financial Management

## Financial statements

The audited financial statements for the year ending 30 June 2015 incorporated within this report provide financial information on the operations and financial position of Funds SA. The notes to the financial statements also provide a Statement of Receipts and Payments and a Statement of Funds under Management in respect of each scheme/fund managed by Funds SA.

## Contractual arrangements

Funds SA has a number of arrangements in place with service providers. The Investment Portfolios section of this report includes a list of Funds SA's external investment managers, while other key service providers are listed below.

- Crown Solicitor's Office – legal advice
- Ernst & Young – unit trust audit services
- Datacom Systems (SA) Pty Ltd – ICT system administration services
- JPMorgan Chase Bank N.A. – investment custody, unit pricing and performance reporting services
- KPMG – tax advisory services
- PricewaterhouseCoopers – internal audit services
- Quentin Ayers Pty Ltd – retained for advice on private equity funds
- Shared Services SA – payroll services
- State Street Bank and Trust Company – currency hedging services
- Thomson Geer Lawyers – legal advice
- Towers Watson – multi-sector strategy advice and manager research.

## Funds SA investment trusts

On 1 July 2008, Funds SA created a number of unlisted unit trusts to hold the investments of Funds SA's tax-paying investors. The unit trusts are established under a Master Trust Deed, with the Corporation acting as Trustee. As at 30 June 2015, Funds SA had 17 unit trusts in operation.

This initiative has greatly facilitated the administration, tax compliance and reporting of investments for Funds SA's tax-paying investors.

## Managing the custodian relationship

Funds SA uses the services of a custodian, JPMorgan Chase Bank, to safeguard and administer a large proportion of portfolio investments. The custodian is responsible, amongst other things, for the safe custody of Funds SA's investments, for settling transactions on the instruction of Funds SA's investment managers, ensuring that all dividends and interest payments are received, ensuring that investment managers respond to any corporate actions (such as rights issues or takeover bids) and providing accurate financial and performance reports on Funds SA's investments.

# Financial Management

Investments under the custody / investment administration of JPMorgan Chase Bank as at 30 June 2015 amounted to \$23.7 billion, representing 92% of total funds under management.

Funds SA puts substantial effort into managing and monitoring this critical function. The Corporation's custodian management program aims to ensure compliance with the Global Custody Agreement with JPMorgan Chase Bank, and provide assurance that assets under custody are safeguarded and accurately recorded and valued.

The program includes a detailed monthly review of key data and deliverables under the Custodian Service Level Agreement, formal quarterly review meetings between Funds SA Management and JPMorgan Chase Bank representatives and an annual sign-off on the assets under custody by the custodian's external auditor, PricewaterhouseCoopers.

## Unit pricing system

Funds SA maintains and operates a multi-layered unit pricing system to facilitate the administration of different asset allocation strategies offered to investors.

Each investor holds units in an investment strategy/option, which in turn holds units in each of the asset sector funds according to the asset allocation for the investment strategy/option. Units are issued and redeemed periodically, as transactions occur, at unit prices reflecting the value of underlying investments within each asset sector fund. Unit prices are struck daily.

The unit pricing system ensures that the pooled investments of different investors are equitably apportioned and reported to those investors.

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**FUNDS SA**

# 2014-15

## Financial Statements

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**For the year ending 30 June 2015**

Superannuation Funds Management Corporation  
of South Australia trading as Funds SA



**Government of  
South Australia**

# Certification of the Financial Statements

## Funds SA Financial Statements for the year ended 30 June 2015

### Certification of the Financial Statements

We certify that the attached general purpose financial statements for Funds SA:

- comply with any relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of Funds SA; and
- present a true and fair view of the financial position of Funds SA as at 30 June 2015 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by Funds SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe Funds SA will be able to pay its debts as and when they become due and payable.



**John Piteo**  
Chief Financial Officer



**Jo Townsend**  
Chief Executive Officer

Approved by a resolution of the Board of Directors dated 21<sup>st</sup> September 2015.



**Leigh Hall AM**  
Director



**Helen Nugent AO**  
Chairman, Board of Directors

# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT



Government of South Australia

Auditor-General's Department

Level 9  
State Administration Centre  
200 Victoria Square  
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Victoria Square  
Tel +618 8226 9640  
Fax +618 8226 9688  
ABN 53 327 061 410  
audgensa@audit.sa.gov.au  
www.audit.sa.gov.au

### To the Chairman Superannuation Funds Management Corporation of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 28 of the *Superannuation Funds Management Corporation of South Australia Act 1995*, I have audited the accompanying financial report of the Superannuation Funds Management Corporation of South Australia for the financial year ended 30 June 2015. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2015
- a Statement of Financial Position as at 30 June 2015
- a Statement of Changes in Equity for the year ended 30 June 2015
- a Statement of Cash Flows for the year ended 30 June 2015
- Schedule 1: Asset Sector Funds Under Management for the year ended 30 June 2015
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, a Director, the Chief Executive Officer and the Chief Financial Officer.

### The Directors of the Superannuation Funds Management Corporation of South Australia's Responsibility for the Financial Report

The directors of the Superannuation Funds Management Corporation of South Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the directors of the Superannuation Funds Management Corporation of South Australia determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

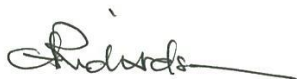
# Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors of the Superannuation Funds Management Corporation of South Australia, as well as the overall presentation of the financial report.

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

## Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Superannuation Funds Management Corporation of South Australia as at 30 June 2015, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



Andrew Richardson  
**Auditor-General**  
21 September 2015

# Statement of Comprehensive Income

for the year ended 30 June 2015

Income	Note No.	2015 \$'000	2014 \$'000
Revenues from fees and charges		6,218	5,732
Interest revenues		91	83
<b>Total Income</b>		<b>6,309</b>	<b>5,815</b>
<b>Expenses</b>			
Employee benefits costs	3	4,215	3,990
Supplies and services	4	1,586	1,293
Depreciation and amortisation expense	5	134	199
<b>Total Expenses</b>		<b>5,935</b>	<b>5,482</b>
<b>Net Surplus</b>		<b>374</b>	<b>333</b>
<b>Total Comprehensive Result</b>		<b>374</b>	<b>333</b>

The Net Surplus and Comprehensive Result is attributable to the SA Government as owner.

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

# Statement of Financial Position

as at 30 June 2015

	Note No.	2015 \$'000	2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents		3,784	3,165
Receivables		722	741
Other current assets		86	54
<b>Total current assets</b>		<b>4,592</b>	<b>3,960</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	180	213
Funds SA investment trusts	15	-	-
<b>Total non-current assets</b>		<b>180</b>	<b>213</b>
<b>Total assets</b>		<b>4,772</b>	<b>4,173</b>
<b>Current liabilities</b>			
Payables	8	428	298
Employee benefits	9	271	354
<b>Total current liabilities</b>		<b>699</b>	<b>652</b>
<b>Non-current liabilities</b>			
Payables	8	76	44
Employee benefits	9	835	689
<b>Total non-current liabilities</b>		<b>911</b>	<b>733</b>
<b>Total liabilities</b>		<b>1,610</b>	<b>1,385</b>
<b>Net assets</b>		<b>3,162</b>	<b>2,788</b>
<b>Equity</b>			
Retained earnings		3,162	2,788
<b>Total equity</b>		<b>3,162</b>	<b>2,788</b>
<b>The total equity is attributable to the SA Government as owner</b>			
Unrecognised contractual commitments	11		
Contingent assets and liabilities	12		

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

# Statement of Changes in Equity

for the year ended 30 June 2015

	Retained Earnings \$'000	Total \$'000
<b>Balance at 30 June 2013</b>	2,455	<b>2,455</b>
Total comprehensive result for 2013-14	333	<b>333</b>
<b>Balance at 30 June 2014</b>	2,788	<b>2,788</b>
Total comprehensive result for 2014-15	374	<b>374</b>
<b>Balance at 30 June 2015</b>	<b>3,162</b>	<b>3,162</b>

Changes in equity are attributable to the SA Government as owner.

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



# Statement of Cashflows

for the year ended 30 June 2015

	Note No.	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
<b>Cash inflows</b>			
Receipts from fees and charges		6,999	6,431
Interest received		90	83
<b>Cash generated from operations</b>		<b>7,089</b>	<b>6,514</b>
<b>Cash outflows</b>			
Employee benefit payments		(4,124)	(3,816)
Supplies and services		(1,884)	(1,647)
GST paid to the ATO		(361)	(439)
<b>Cash used in operations</b>		<b>(6,369)</b>	<b>(5,902)</b>
<b>Net cash provided by operating activities</b>	<b>13</b>	<b>720</b>	<b>612</b>
<b>Cash flows from investing activities</b>			
<b>Cash inflows</b>			
Proceeds from the sale of property, plant and equipment		-	2
<b>Cash generated from investing activities</b>		<b>-</b>	<b>2</b>
<b>Cash outflows</b>			
Purchase of property, plant and equipment		(101)	(44)
<b>Cash used in investing activities</b>		<b>(101)</b>	<b>(44)</b>
<b>Net cash used in investing activities</b>		<b>(101)</b>	<b>(42)</b>
<b>Net increase in cash and cash equivalents</b>		<b>619</b>	<b>570</b>
Cash and cash equivalents at the beginning of the financial year		3,165	2,595
<b>Cash and cash equivalents at the end of the financial year</b>		<b>3,784</b>	<b>3,165</b>

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



# Schedule 1: Asset Sector Funds Under Management

This schedule provides information in relation to assets under Funds SA's management as at balance date.

The disclosure of this information is voluntary. The basis of valuation of asset class investments is fair value as required under AASB13 *Fair Value Measurement*. The sources of valuations are provided below.

This schedule provides the following information:

- Investment Valuation Sources
- Statement of Income and Expenses of Assets Under Management
- Statement of Net Assets Under Management
- Financial Instruments and Management of Portfolio Risk

## Investment valuation sources

### Discretely managed portfolios

Funds SA's custodian, JP Morgan, has valued each portfolio using market prices applicable at balance date.

### Managed funds

#### *Pooled Funds / Unlisted Unit Trusts*

Investments in pooled funds and other unlisted unit trusts have been valued by Funds SA's custodian in accordance with the valuations supplied by the relevant fund managers.

#### *Private Equity*

The value of private equity investments is based on the most recent fund valuations supplied by the relevant fund managers.

### Currency hedge overlay

The value of the currency hedge overlay, as at 30 June 2015, is supplied by Funds SA's custodian and represents either the expense or income associated with closing out the forward rate agreements in place, on that date, as part of Funds SA's currency management strategy.

### Internally managed investments

#### *Internally Managed Inflation Linked Securities*

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

# Schedule 1: Asset Sector Funds Under Management

## Statement of income and expenses of assets under management for the year ended 30 June 2015

Asset sector	Rent, interest & dividends \$'000	Realised gains / (losses) <sup>1</sup> \$'000	Unrealised gains / (losses) <sup>2</sup> \$'000	Expenses \$'000	Total \$'000
Australian Equities A	228,112	28,595	40,382	(12,420)	<b>284,669</b>
Australian Equities B	25,636	244	6,423	(1,513)	<b>30,790</b>
International Equities A	101,278	147,191	693,655	(28,342)	<b>913,782</b>
International Equities B	22,218	(12,544)	85,953	(2,733)	<b>92,894</b>
Property A	142,526	-	133,315	(11,418)	<b>264,423</b>
Property B	12,693	-	12,549	(1,102)	<b>24,140</b>
Diversified Strategies Growth A	121,800	(91,305)	178,543	(44,263)	<b>164,775</b>
Diversified Strategies Growth B	9,004	(7,396)	14,375	(3,681)	<b>12,302</b>
Diversified Strategies Income	78,825	(167,513)	243,707	(35,213)	<b>119,806</b>
Inflation Linked Securities A	35,672	(1,479)	(4,401)	(367)	<b>29,425</b>
Inflation Linked Securities B	39,851	11,189	25,669	(2,752)	<b>73,957</b>
Long Term Fixed Interest	33,680	10,951	17,581	(2,283)	<b>59,929</b>
Short Term Fixed Interest	26,732	(950)	(2,933)	(1,063)	<b>21,786</b>
Cash	31,010	-	-	(595)	<b>30,415</b>
Socially Responsible	2,558	-	5,998	(664)	<b>7,892</b>
Absolute Return (MAC)	6,040	-	(2,697)	(1,137)	<b>2,206</b>
Infrastructure (MAC)	6,380	-	7,088	(1,587)	<b>11,881</b>
Diversified Strategies Income (MAC)	25,440	(32,373)	31,544	(1,850)	<b>22,761</b>
Fixed Interest (MAC)	26,932	1,047	(297)	(387)	<b>27,295</b>
<b>Total</b>	<b>976,387</b>	<b>(114,343)</b>	<b>1,486,454</b>	<b>(153,370)</b>	<b>2,195,128</b>

1. Realised gains / (losses) represents realised gains and losses over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.
2. Unrealised gains / (losses) represents unrealised gains and losses, over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period, and held at balance date.

# Schedule 1: Asset Sector Funds Under Management

## Statement of income and expenses of assets under management for the year ended 30 June 2014

Asset sector	Rent, interest & dividends \$'000	Realised gains / (losses) <sup>1</sup> \$'000	Unrealised gains / (losses) <sup>2</sup> \$'000	Expenses \$'000	Total \$'000
Australian Equities A	202,191	114,423	392,781	(11,511)	<b>697,884</b>
Australian Equities B	19,485	1,931	34,874	(1,164)	<b>55,126</b>
International Equities A	96,127	27,863	877,011	(26,442)	<b>974,559</b>
International Equities B	7,720	(10,323)	69,386	(1,696)	<b>65,087</b>
Property A	82,112	-	120,667	(10,865)	<b>191,914</b>
Property B	10,326	-	7,619	(1,170)	<b>16,775</b>
Diversified Strategies Growth A	90,020	(62,974)	197,041	(35,648)	<b>188,439</b>
Diversified Strategies Growth B	6,446	(3,504)	15,238	(2,517)	<b>15,663</b>
Diversified Strategies Income	77,223	(42,949)	257,191	(29,080)	<b>262,385</b>
Inflation Linked Securities A	35,059	-	16,055	(324)	<b>50,790</b>
Inflation Linked Securities B	51,185	(4,574)	66,983	(2,420)	<b>111,174</b>
Long Term Fixed Interest	18,769	(20,674)	46,387	(2,016)	<b>42,466</b>
Short Term Fixed Interest	25,034	(1,052)	74	(1,012)	<b>23,044</b>
Cash	39,298	-	-	(812)	<b>38,486</b>
Socially Responsible	1,025	-	5,788	(522)	<b>6,291</b>
Absolute Return (MAC)	1,664	-	2,803	(1,210)	<b>3,257</b>
Infrastructure (MAC)	5,926	-	9,709	(1,359)	<b>14,276</b>
Diversified Strategies Income (MAC)	25,936	(2,809)	30,697	(1,700)	<b>52,124</b>
Fixed Interest (MAC)	32,237	(2,916)	258	(414)	<b>29,165</b>
<b>Total</b>	<b>827,783</b>	<b>(7,558)</b>	<b>2,150,562</b>	<b>(131,882)</b>	<b>2,838,905</b>

1. Realised gains / (losses) represents realised gains and losses over either cost for those investments which had been acquired and disposed of within the financial period, or over market values previously brought to account where the investments disposed of were held at the commencement of the period.
2. Unrealised gains / (losses) represents unrealised gains and losses, over either cost for those investments acquired during the period, or over market value at the commencement of the period for those investments acquired prior to the commencement of the period, and held at balance date.

# Schedule 1: Asset Sector Funds Under Management

## Statement of net assets under management as at 30 June 2015

Asset sector	Discretely managed portfolios \$'000	Managed funds \$'000	Internally managed investments \$'000	Currency hedge overlay \$'000	Other assets \$'000	Liabilities \$'000	Total \$'000
Australian Equities A	3,648,088	1,088,645	-	-	240	(3,861)	<b>4,733,112</b>
Australian Equities B	94,295	525,125	-	-	21	(376)	<b>619,065</b>
International Equities A	4,430,735	700,707	-	(54,374)	85	(6,016)	<b>5,071,137</b>
International Equities B	263,801	314,436	-	(5,955)	6	(440)	<b>571,848</b>
Property A	37	2,657,759	-	-	18	(911)	<b>2,656,903</b>
Property B	-	259,846	-	-	3	(113)	<b>259,736</b>
Diversified Strategies Growth A	-	1,698,964	-	(24,795)	14	(531)	<b>1,673,652</b>
Diversified Strategies Growth B	-	161,342	-	(1,892)	3	(49)	<b>159,404</b>
Diversified Strategies Income	1,643,046	1,635,314	-	(36,690)	47	(3,391)	<b>3,238,326</b>
Inflation Linked Securities A*	-	-	444,009	-	1	(115)	<b>443,895</b>
Inflation Linked Securities B	1,747,276	-	-	-	1,036	(889)	<b>1,747,423</b>
Long Term Fixed Interest	1,025,007	-	-	-	13	(710)	<b>1,024,310</b>
Short Term Fixed Interest	623,889	-	-	-	19	(348)	<b>623,560</b>
Cash	-	1,323,991	-	-	220	(132)	<b>1,324,079</b>
Socially Responsible	-	96,271	-	-	8	(32)	<b>96,247</b>
Absolute Return (MAC)	-	34,744	-	-	1	(84)	<b>34,661</b>
Infrastructure (MAC)	-	130,603	3,266	-	1	(16)	<b>133,854</b>
Diversified Strategies Income (MAC)	660,530	-	-	-	53	(449)	<b>660,134</b>
Fixed Interest (MAC)	726,185	-	-	-	55	(171)	<b>726,069</b>
<b>Total</b>	<b>14,862,889</b>	<b>10,627,747</b>	<b>447,275</b>	<b>(123,706)</b>	<b>1,844</b>	<b>(18,634)</b>	<b>25,797,415</b>

\* Inflation Linked Securities A excludes the portion of its ownership in the Inflation Linked Securities B asset class

# Schedule 1: Asset Sector Funds Under Management

## Statement of net assets under management as at 30 June 2014

Asset sector	Discretely managed portfolios \$'000	Managed funds \$'000	Internally managed investments \$'000	Currency hedge overlay \$'000	Other assets \$'000	Liabilities \$'000	Total \$'000
Australian Equities A	3,442,305	1,144,512	-	-	201	(3,083)	<b>4,583,935</b>
Australian Equities B	63,482	378,349	-	-	13	(225)	<b>441,619</b>
International Equities A	4,086,388	1,084,337	-	49,800	55	(4,980)	<b>5,215,600</b>
International Equities B	-	422,020	-	3,885	4	(132)	<b>425,777</b>
Property A	29	2,389,122	-	-	77	(1,312)	<b>2,387,916</b>
Property B	-	242,570	-	-	3	(192)	<b>242,381</b>
Diversified Strategies Growth A	-	1,303,051	-	23,544	20	(1,333)	<b>1,325,282</b>
Diversified Strategies Growth B	-	105,024	-	1,537	1	(92)	<b>106,470</b>
Diversified Strategies Income	1,923,956	944,841	-	16,783	73	(8,533)	<b>2,877,120</b>
Inflation Linked Securities A*	-	-	449,984	-	130	(833)	<b>449,281</b>
Inflation Linked Securities B	1,672,580	-	-	-	978	(577)	<b>1,672,981</b>
Long Term Fixed Interest	782,198	-	-	-	23	(504)	<b>781,717</b>
Short Term Fixed Interest	601,894	-	-	-	19	(247)	<b>601,666</b>
Cash	-	1,220,116	-	-	181	(96)	<b>1,220,201</b>
Socially Responsible	-	81,457	-	-	9	(13)	<b>81,453</b>
Absolute Return (MAC)	-	31,421	-	-	1	(455)	<b>30,967</b>
Infrastructure (MAC)	-	118,807	3,560	-	2	(11)	<b>122,358</b>
Diversified Strategies Income (MAC)	628,445	6,203	-	-	28	(439)	<b>634,237</b>
Fixed Interest (MAC)	633,681	-	-	-	57	(93)	<b>633,645</b>
<b>Total</b>	<b>13,834,958</b>	<b>9,471,830</b>	<b>453,544</b>	<b>95,549</b>	<b>1,875</b>	<b>(23,150)</b>	<b>23,834,606</b>

\* Inflation Linked Securities A excludes the portion of its ownership in the Inflation Linked Securities B asset class.

# Schedule 1: Asset Sector Funds Under Management

## Fair value hierarchy

In accordance with the disclosure requirements under AASB 13 *Fair Value Measurement*, Funds SA has adopted the fair value hierarchy disclosures for the funds under management as at 30 June 2015. This requires the disclosure of investments using a fair value hierarchy that reflects the subjectivity of the inputs used in valuing the investments.

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, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As per AASB 13 paragraph 73, “the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement”. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the investment.

The determination of what constitutes ‘observable’ requires significant judgement by Funds SA. Funds SA considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

The table below sets out Funds SA’s investments (by asset class) measured at fair value according to the fair value hierarchy at 30 June 2015.

# Schedule 1: Asset Sector Funds Under Management

## Fair value of financial assets and liabilities as at 30 June 2015

Financial assets and liabilities through profit or loss	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Other \$'000	Total \$'000
Australian Equities A	3,647,760	1,088,645	-	(3,293)	4,733,112
Australian Equities B	94,290	525,124	-	(349)	619,065
International Equities A	4,428,224	646,333	-	(3,420)	5,071,137
International Equities B	263,728	308,482	-	(362)	571,848
Property A	34	475,202	2,182,557	(890)	2,656,903
Property B	1	52,434	207,412	(111)	259,736
Diversified Strategies Growth A	1	119,593	1,554,576	(518)	1,673,652
Diversified Strategies Growth B	1	36,823	122,635	(55)	159,404
Diversified Strategies Income	70,063	3,171,601	-	(3,338)	3,238,326
Inflation Linked Securities*	933,938	814,317	444,009	(946)	2,191,318
Long Term Fixed Interest	970,426	54,583	-	(699)	1,024,310
Short Term Fixed Interest	469,446	154,421	-	(307)	623,560
Cash	1,324,197	-	-	(118)	1,324,079
Socially Responsible	8	96,271	-	(32)	96,247
Absolute Return (MAC)	1	34,744	-	(84)	34,661
Infrastructure (MAC)	1	-	133,869	(16)	133,854
Diversified Strategies Income (MAC)	152,653	507,928	-	(447)	660,134
Fixed Interest (MAC)	352,148	374,084	-	(163)	726,069
<b>Total</b>	<b>12,706,920</b>	<b>8,460,585</b>	<b>4,645,058</b>	<b>(15,148)</b>	<b>25,797,415</b>

\* Inflation Linked Securities includes the externally and internally managed inflation linked securities from both the Inflation Linked Securities A and Inflation Linked Securities B asset classes.

There were no transfers of assets between Levels 1, 2 or 3 during the year ended 30 June 2015.

# Schedule 1: Asset Sector Funds Under Management

## Fair value of financial assets and liabilities as at 30 June 2014

Financial assets and liabilities through profit or loss	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Other \$'000	Total \$'000
Australian Equities A	3,442,121	1,144,511	-	(2,697)	4,583,935
Australian Equities B	63,483	378,348	-	(212)	441,619
International Equities A	4,084,896	1,134,117	-	(3,413)	5,215,600
International Equities B	2	425,905	-	(130)	425,777
Property A	42	439,313	1,949,809	(1,248)	2,387,916
Property B	2	38,801	203,769	(191)	242,381
Diversified Strategies Growth A	8	166,839	1,159,756	(1,321)	1,325,282
Diversified Strategies Growth B	1	28,380	78,180	(91)	106,470
Diversified Strategies Income	140,625	2,744,924	-	(8,429)	2,877,120
Inflation Linked Securities*	923,140	750,369	449,984	(1,231)	2,122,262
Long Term Fixed Interest	673,358	108,825	-	(466)	781,717
Short Term Fixed Interest	440,983	160,900	-	(217)	601,666
Cash	1,220,281	-	-	(80)	1,220,201
Socially Responsible	8	81,458	-	(13)	81,453
Absolute Return (MAC)	1	31,421	-	(455)	30,967
Infrastructure (MAC)	1	-	122,367	(10)	122,358
Diversified Strategies Income (MAC)	113,661	520,969	-	(393)	634,237
Fixed Interest (MAC)	315,868	317,862	-	(85)	633,645
<b>Total</b>	<b>11,418,481</b>	<b>8,472,942</b>	<b>3,963,865</b>	<b>(20,682)</b>	<b>23,834,606</b>

\* Inflation Linked Securities includes the externally and internally managed inflation linked securities from both the Inflation Linked Securities A and Inflation Linked Securities B asset classes.



# Schedule 1: Asset Sector Funds Under Management

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

Level 3 Financial assets and liabilities	Opening balance - 1 July 2014 \$'000	Purchases \$'000	Disposals \$'000	Unrealised gains / (losses) \$'000	Closing balance - 30 June 2015 \$'000
Property A	<b>1,949,809</b>	196,168	(49,561)	86,141	<b>2,182,557</b>
Property B	<b>203,769</b>	8,609	(11,507)	6,541	<b>207,412</b>
Diversified Strategies Growth A	<b>1,159,756</b>	409,198	(214,376)	199,998	<b>1,554,576</b>
Diversified Strategies Growth B	<b>78,180</b>	48,477	(14,107)	10,085	<b>122,635</b>
Inflation Linked Securities*	<b>449,984</b>	-	-	(5,975)	<b>444,009</b>
Infrastructure (MAC)	<b>122,367</b>	5,954	-	5,548	<b>133,869</b>
<b>Total</b>	<b>3,963,865</b>	<b>668,406</b>	<b>(289,551)</b>	<b>302,338</b>	<b>4,645,058</b>

\* Inflation Linked Securities includes the externally and internally managed inflation linked securities from both the Inflation Linked Securities A and Inflation Linked Securities B asset classes.

There were no transfers of assets into or out of Level 3 during the year ended 30 June 2015.

# Schedule 1: Asset Sector Funds Under Management

## Level 1

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include listed equities and developed market nominal sovereign bonds.

Level 1 also includes cash at bank, term deposits, bank bills, promissory notes and interest receivable on these investments.

## Level 2

Investments that trade in markets that are not considered to be sufficiently active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds, certain non-US sovereign bonds, over-the-counter derivatives (including the foreign currency hedge overlay) and certain unlisted unit trusts where the nature of the underlying investments allows for ready transaction of units at the observable price.

## Level 3

Investments classified within Level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these investments, Funds SA has used valuation techniques to derive fair value. Level 3 investments include certain directly held non traded index-linked securities and unlisted unit trusts where the underlying investments have been valued using an appraisal methodology and the unit price is provided for predominantly valuation rather than transaction purposes.

## Other

Although not specifically required by AASB 13, 'Other' includes accrued expenses and GST payable (to the ATO) / receivable (from the ATO) for each asset class and is included in the above disclosure for completeness purposes only.

## Financial instruments and management of portfolio risk

### Use of derivative financial instruments

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

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

The fair value of all derivative positions as at 30 June 2015 is incorporated within the Statement of Net Assets Under Management in Schedule 1.

### Market risk

Market risk is the risk that investment returns generated by the different financial markets will be volatile and will deviate from long-term expectations over the short / medium term.

# Schedule 1: Asset Sector Funds Under Management

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

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

## Liquidity risk

Two types of liquidity risk are inherent in Funds SA's investment activities. The first is the risk that investor redemption requests are unable to be satisfied due to the inability to liquidate investments. The second is the risk that significant transaction costs will be incurred in liquidating investments to meet investors' cash redemption requirements.

Funds SA manages liquidity risk as follows:

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

## Currency risk

Funds SA's foreign currency exposure arises from its investment in assets denominated in foreign currencies.

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

- Foreign currency exposures in the Diversified Strategies Growth A, Diversified Strategies Growth B, Diversified Strategies Income, Fixed Interest and Inflation Linked Securities asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the International Equities A and International Equities B asset sectors are 50% hedged to Australian dollars.

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

## Interest rate risk

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

Funds SA manages interest rate risk through:

- ensuring asset allocations for different investment options are consistent with the time horizon of each; and
- the use of specialist external investment managers to manage Funds SA's cash and fixed interest portfolios.

# Notes to and forming part of the Financial Statements

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# Notes to and forming part of the Financial Statements

## NOTE 1 Objectives of Funds SA

### a) Objectives of Funds SA

The Superannuation Funds Management Corporation of South Australia (Funds SA or the Corporation) was established on 1 July 1995 pursuant to the *Superannuation Funds Management Corporation of South Australia Act 1995* (Funds SA Act).

Under Section 5 of the Funds SA Act, the functions of Funds SA are:

- (a) to invest and manage -
  - (i) the public sector superannuation funds; and
  - (ii) the nominated funds of approved authorities,pursuant to strategies formulated by the Corporation;
- (ab) to invest and manage other funds (if any) established by the Corporation for the purposes of the operation of any Act pursuant to strategies formulated by the Corporation;
- (b) such other functions as are assigned to the Corporation by this or any other Act.

Under Section 7 of the Funds SA Act, the objective of the Corporation in performing its functions is to achieve the highest return possible on investment of the funds while having proper regard for -

- (a) the need to maintain the risks relating to investment at an acceptable level; and
- (b) the need for liquidity in the funds; and
- (c) such other matters as are prescribed by regulation.

# Notes to and forming part of the Financial Statements

## b) Purpose of the financial statements

The purpose of the financial statements is to discharge Funds SA's reporting obligations in respect of its financial affairs under Section 26(1) of the Funds SA Act, and in respect of each of the funds, as required by Section 26(2) of the Funds SA Act.

As at 30 June 2015, Funds SA managed the following funds:

### Public sector superannuation funds:

- South Australian Superannuation Scheme:
  - South Australian Superannuation Fund (Old Scheme Division)
  - South Australian Superannuation Fund (New Scheme Division)
  - South Australian Superannuation Scheme - Employer Contribution Accounts
- Police Superannuation Scheme:
  - Police Superannuation Fund (Old Scheme Division)
  - Police Superannuation Scheme - Employer Contribution Account
- Southern State Superannuation Scheme:
  - Southern State Superannuation Fund
- Super SA Retirement Investment Fund:
  - Super SA Flexible Rollover Product
  - Super SA Income Stream
- Parliamentary Superannuation Scheme
- Judges' Pension Scheme
- Governors' Pension Scheme.

### Eligible superannuation funds:

- South Australian Ambulance Service Superannuation Scheme
- South Australian Metropolitan Fire Service Superannuation Scheme.

### Nominated funds of approved authorities:

- South Australian Government Financing Authority
- Adelaide Cemeteries Authority
- Motor Accident Commission – Compulsory Third Party Fund
- Lifetime Support Authority
- Health Services Charitable Gifts Board.

### Other (Established by the *Public Corporation (Southern Select Super Corporation) Regulations 2012*)

- Super SA Select.

# Notes to and forming part of the Financial Statements

## c) Format and content of Funds SA's financial statements

Funds SA adopts the format and content of the Model Financial Statements developed by the Department of Treasury and Finance.

The Statement of Financial Position does not incorporate the funds under management as assets of Funds SA. The Statement of Comprehensive Income does not incorporate the investment revenue and expenses. The financial statements of these funds are disclosed separately under Note 16 in accordance with section 26(2) of the Funds SA Act.

Controlled entities have not been consolidated into Funds SA's Statement of Financial Position as they form part of the asset sectors under management. Accordingly, they are incorporated within the asset sector financial information in Schedule 1.

## NOTE 2 Summary of significant accounting policies

### a) Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

Funds SA has applied Australian Accounting Standards that are applicable to for-profit entities, as Funds SA is a for-profit entity.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by Funds SA for the reporting period ending 30 June 2015.

### b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying Funds SA's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:

# Notes to and forming part of the Financial Statements

- a) expenses incurred as a result of engaging consultants (Refer Note 4);
- b) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees (Refer Note 3); and
- c) board / committee member and remuneration information, where a board / committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement (refer Note 10).

Funds SA's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accruals basis and are in accordance with the historical cost convention.

The Statement of Cashflows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented.

## c) Reporting entity

The financial report covers Funds SA as an individual reporting entity. Funds SA is a statutory authority of the State of South Australia, established pursuant to *Superannuation Funds Management Corporation of South Australia Act 1995*.

## d) Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

## e) Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

## f) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to Funds SA will occur and can be reliably measured. Income has been aggregated according to its nature and has not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.



# Notes to and forming part of the Financial Statements

Revenues from fees and charges are measured at fair value of consideration received or receivable. The revenue is derived from the provision of services to Funds SA's investors (being SA Government entities) on a cost recovery basis. This revenue is recognised upon delivery of the service to the investors.

## g) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from Funds SA will occur and can be reliably measured.

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

### Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. These are recognised when incurred.

### Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by Funds SA to the superannuation plan in respect of current services of current staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole-of government financial statements.

### Supplies and services

Supplies and services generally represent day-to-day running costs incurred in the normal operations of Funds SA. These items are recognised as an expense in the reporting period in which they are incurred.

### Depreciation and amortisation

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to leasehold improvements, while depreciation is applied to tangible assets such as computer and office equipment.

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

# Notes to and forming part of the Financial Statements

Class of assets	Depreciation method	Useful life (years)
Leasehold improvements	Straight Line	Term of Lease
Computer and office equipment:		
■ Computers, hardware and software	Straight Line	3 years
■ Office furniture	Straight Line	10 years

## h) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Funds SA has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within twelve months and more than twelve months, Funds SA has separately disclosed the amounts expected to be recovered or settled after more than twelve months.

## i) Assets

Assets have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

### Cash and cash equivalents

Cash and cash equivalents recorded in the Statement of Financial Position includes cash on hand and at bank.

Cash is measured at nominal value.

### Receivables

Receivables include amounts receivable from Funds SA's investors, GST input tax credits and other accruals. Receivables arise in the normal course of providing services to the investors.

### Non-current asset acquisition and recognition

Non-Current Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

### Impairment

All non-current tangible and intangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

# Notes to and forming part of the Financial Statements

## j) Liabilities

Liabilities have been classified according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

Where a liability line item combines amounts expected to be settled within twelve months and more than twelve months, Funds SA has separately disclosed the amounts expected to be settled after more than twelve months.

### Payables

Payables include creditors, GST payable, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of Funds SA.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received.

Employment benefits on-costs include superannuation contributions and payroll tax in respect to outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

### Leases

Funds SA has entered into an operating lease for its office premises. The lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased premises. Lease payments are recognised as an expense in the Statement of Comprehensive Income on the basis that is representative of the pattern of benefits derived from the leased premises.

### Employee benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

### Salaries and wages, annual leave, skills and experience retention leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve months and are measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

# Notes to and forming part of the Financial Statements

## Long service leave

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with duration that match, as closely as possible, the estimated future cash outflows.

This calculation is consistent with Funds SA's experience of employee retention and leave taken. Based on a survey of staff, the portion of the long service leave provision expected to be taken within 12 months of the reporting date is classified as current. The remaining portion of the long service leave provision is classified as non-current.

## k) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating commitments arising from contractual or statutory sources and are disclosed at their nominal value.

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the Australian Taxation Office. If GST is not payable to, or recoverable from the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

## l) Insurance

Funds SA has arranged, through the SA Government Captive Insurance Corporation (SAICORP) (a division of SAFA), to insure all major risks of Funds SA with the exception of Directors and Officers Liability Insurance, which is insured through an independent insurance provider.

## m) Taxation

Funds SA is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- payables, which are stated with the amount of GST included.

# Notes to and forming part of the Financial Statements

## n) Valuation basis of investor funds under management

Note 16 provides financial statements in respect of each investor fund under the management of Funds SA for the 2014-15 financial year.

The valuation of the investments of each investor fund follows the valuation approach required under accounting standards relevant to that investor:

- For superannuation scheme investors, investments have been valued at net market value in accordance with AAS 25 *Financial Reporting by Superannuation Plans*; and
- All other investors' investments have been valued at fair value in accordance with AASB 13 *Fair Value Measurement*.

## NOTE 3 Employee benefits costs

	2015 \$'000	2014 \$'000
Salaries and wages	3,146	2,985
Board fees	363	322
Employment on costs	706	683
<b>Total employee benefits costs</b>	<b>4,215</b>	<b>3,990</b>

### Remuneration of employees

The number of employees whose remuneration received or receivable falls within the following bands:

\$141 500 to \$151 499	2	2
\$151 500 to \$161 499	1	1
\$191 500 to \$201 499	2	2
\$201 500 to \$211 499	-	1
\$231 500 to \$241 499	1	-
\$261 500 to \$271 499	-	1
\$311 500 to \$321 499	1	-
\$341 500 to \$351 499	1	-
\$411 500 and over	-	1
<b>Total number of employees</b>	<b>8</b>	<b>8</b>

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$1.751 million (\$1.730 million for 2013-14).

# Notes to and forming part of the Financial Statements

## NOTE 4 Supplies and services

	2015 \$'000	2014 \$'000
Computing and communication	192	186
Human resource expenses	199	32
Board expenses	209	158
Staff development	54	71
Subscriptions and publications	66	98
Internal audit fees	71	121
External audit fees	90	91
Travel and accommodation	170	154
Legal and advisory expenses	23	14
Office rent	396	260
Office supplies and printing	68	67
Website expenses	5	4
Investor relationship expenses	3	-
Other	40	37
<b>Total supplies and services<sup>1</sup></b>	<b>1,586</b>	<b>1,293</b>

1. There were no transactions with SA government entities greater than \$100,000.

	No.	2015 \$'000	No.	2014 \$'000
The number and dollar amount of Consultancies paid/payable (included in supplies & services expense) that fell within the following bands:				
Below \$10,000	5	17	5	22
Above \$10,000	1	155	-	-
<b>Total paid /payable to the consultants engaged</b>	<b>6</b>	<b>172</b>	<b>5</b>	<b>22</b>

## NOTE 5 Depreciation and amortisation expense

	2015 \$'000	2014 \$'000
<b>Depreciation</b>		
Computer and office equipment	108	121
<b>Amortisation</b>		
Leasehold improvements	26	78
<b>Total depreciation and amortisation</b>	<b>134</b>	<b>199</b>

# Notes to and forming part of the Financial Statements

## NOTE 6 Auditor's remuneration

	2015 \$'000	2014 \$'000
Audit fees paid / payable to the Auditor-General's Department relating to the audit of the financial statements	90	91
<b>Total audit fees – SA Government entities</b>	<b>90</b>	<b>91</b>

### Other Services

No other services were provided by the Auditor-General's Department.

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'external audit fees' (refer note 4).

## NOTE 7 Property, plant and equipment

	2015 \$'000	2014 \$'000
<b>Leasehold improvements</b>		
Leasehold improvements at fair value	638	577
Accumulated amortisation	(574)	(548)
<b>Total leasehold improvements</b>	<b>64</b>	<b>29</b>
<b>Computer and office equipment</b>		
Computer and office equipment at fair value	714	685
Accumulated depreciation	(598)	(501)
<b>Total computer and office equipment</b>	<b>116</b>	<b>184</b>
<b>Total property plant and equipment</b>	<b>180</b>	<b>213</b>

### Reconciliation of non-current assets

The following table shows the movement of Non-Current Assets during the year ended 30 June 2015.

	Leasehold improvements \$'000	Computer and office equipment \$'000	Non-current assets total \$'000
<b>Carrying amount at the beginning of the financial year</b>	<b>29</b>	<b>184</b>	<b>213</b>
Additions	61	40	101
Disposals	-	-	-
Depreciation and amortisation	(26)	(108)	(134)
<b>Carrying amount at the end of the financial year</b>	<b>64</b>	<b>116</b>	<b>180</b>

# Notes to and forming part of the Financial Statements

The following table shows the movement of Non-Current Assets during the year ended 30 June 2014.

	Leasehold improvements \$'000	Computer and office equipment \$'000	Non-current assets total \$'000
<b>Carrying amount at the beginning of the financial year</b>	<b>107</b>	<b>264</b>	<b>371</b>
Additions	-	44	<b>44</b>
Disposals	-	(3)	<b>(3)</b>
Depreciation and amortisation	(78)	(121)	<b>(199)</b>
<b>Carrying amount at the end of the financial year</b>	<b>29</b>	<b>184</b>	<b>213</b>

## Fair value hierarchy

### Non-Financial Assets as at 30 June 2015

Funds SA categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in their measurements. Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2015.

Funds SA had no valuations categorised into Levels 1 and 2.

Fair value measurements at 30 June 2015	Level 3 \$'000	Total \$'000
Leasehold improvements	64	64
Computer and office equipment	116	116
<b>Total fair value measurements</b>	<b>180</b>	<b>180</b>

Valuation techniques used to derive Level 3 fair values are provided at Schedule 1. Although unobservable inputs were used in determining fair value, and are subjective, Funds SA considers that the overall valuation would not be materially affected by changes to existing assumptions. There were no changes in valuation techniques during 2015. The reconciliation of fair value measurements using significant unobservable inputs (Level 3) is represented by the reconciliation of non-current assets above.

### Non-Financial Assets as at 30 June 2014

Funds SA categorises non-financial assets measured at fair value into a hierarchy based on the level of inputs used in their measurements. Fair value measurements recognised in the balance sheet are categorised into the following levels at 30 June 2014.

Funds SA had no valuations categorised into Levels 1 and 2.

Fair value measurements at 30 June 2014	Level 3 \$'000	Total \$'000
Leasehold improvements	29	29
Computer and office equipment	184	184
<b>Total fair value measurements</b>	<b>213</b>	<b>213</b>



# Notes to and forming part of the Financial Statements

## NOTE 8 Payables

	2015 \$'000	2014 \$'000
<b>Current</b>		
Creditors	241	115
Accrued expenses	150	119
Employment on costs	37	64
<b>Total current payables</b>	<b>428</b>	<b>298</b>
<b>Non current</b>		
Employment on costs	76	44
<b>Total non current payables</b>	<b>76</b>	<b>44</b>
<b>Total payables</b>	<b>504</b>	<b>342</b>

## NOTE 9 Employee benefits liability

	2015 \$'000	2014 \$'000
<b>Current</b>		
Accrued salaries and wages	32	-
Annual leave	184	163
Long service leave*	29	170
Skills and experience retention leave	26	21
<b>Total current employee benefits</b>	<b>271</b>	<b>354</b>
<b>Non-current</b>		
Long service leave*	835	689
<b>Total non-current employee benefits</b>	<b>835</b>	<b>689</b>
<b>Total employee benefits</b>	<b>1,106</b>	<b>1,043</b>

\*AASB 119 Employee Benefits contains the calculation methodology for the long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability for the measurement of long service leave.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has decreased from 2014 (3.50%) to 2015 (3.00%).

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

# Notes to and forming part of the Financial Statements

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$28,430 and employee benefits expense of \$34,140. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

## NOTE 10 Key management personnel

### a) Board members

The following persons held the position of governing board member during the financial year.

Helen Nugent	Chairman	Throughout the year
Leigh Hall	Director	Throughout the year
Jan McMahon	Director	Throughout the year
Kevin Crawshaw	Director	Throughout the year
Kevin Foley	Director	Commenced 21 Aug 2014
James Baulderstone	Director	Commenced 2 Dec 2014
Kathryn Presser	Director	Commenced 2 Dec 2014
Anne De Salis	Director	Ceased 1 Dec 2014
David McMahon	Director	Ceased 1 Dec 2014

### b) Sub-committees

Funds SA has established 2 sub-committees where members receive remuneration for their membership. These are:

#### Audit and Risk Committee

Leigh Hall	Chairman	Throughout the year
Helen Nugent	Member	Throughout the year
Kevin Crawshaw	Member	Throughout the year
Kathryn Presser	Member	Commenced 2 Dec 2014
David McMahon	Member	Ceased 1 Dec 2014

#### Human Resources Committee

Helen Nugent	Chairman	Throughout the year
Jan McMahon	Member	Throughout the year
Kevin Foley	Member	Commenced 21 Aug 2014
James Baulderstone	Member	Commenced 2 Dec 2014
Anne De Salis	Member	Ceased 1 Dec 2014

# Notes to and forming part of the Financial Statements

## c) Other key management personnel

The following persons also held authority and responsibility for planning, directing and controlling the activities of Funds SA, directly or indirectly during the financial year.

Richard Smith (retired 2 Jan 2015)	Chief Executive Officer
Jo Townsend (commenced 20 Apr 2015)	Chief Executive Officer
John Piteo	Chief Financial Officer

John Piteo was the Acting Chief Executive Officer for the period 3 January 2015 to 19 April 2015.

## d) Key management personnel compensation

The key management personnel are the governing board members and senior management (including the Chief Executive) who have responsibility for the strategic direction and management of Funds SA.

	2015 \$'000	2014 \$'000
Short-term employee benefits	942	1,010
Long-term employee benefits	162	26
<b>Total</b>	<b>1,104</b>	<b>1,036</b>

## e) Remuneration of governing board members

Board members remuneration includes fees, superannuation and other benefits. Directors' fees include fees paid with respect to directors' representation on the Funds SA Board and Board sub-committees. Directors' fees for the 2014-15 year were set by the Governor of South Australia. The aggregate remuneration of directors was \$363,000 (2013-14: \$322,000).

In 2014-15, the aggregate amount paid, or due and payable for Directors, to the Southern State Superannuation Scheme totalled \$177,000 (2013-14: \$183,000). In 2014-15, the periodic amounts paid, or due and payable, to private superannuation funds totalled \$12,000 (2013-14: \$12,000).

	Number of board members	
	2015	2014
The number of governing board members whose remuneration received or receivable falls within the following bands:		
\$10,000 - \$19,999	2	-
\$20,000 - \$29,999	2	-
\$30,000 - \$39,000	1	-
\$40,000 - \$49,999	2	4
\$50,000 - \$59,999	1	1
\$90,000 - \$99,999	1	1
<b>Total</b>	<b>9</b>	<b>6</b>

# Notes to and forming part of the Financial Statements

## f) Transactions with directors and director-related entities

The Chairman of Funds SA, Dr Helen Nugent, was a non-executive director of Macquarie Bank Group Limited (MBGL) until 24 July 2014, when she retired from the MBGL board. MBGL (or its wholly-owned subsidiaries) has provided funds management services to Funds SA during 2014-15 on normal commercial terms and conditions. Dr Nugent did not receive any board papers, take part in any discussions, decisions or implementation of decisions relating to Funds SA's relationship with MBGL (or its wholly-owned subsidiaries) during her time as a non-executive director of MBGL. Dr Nugent has also advised the Board that she did not participate at Macquarie Bank Group Limited board meetings in relation to any issues associated with Funds SA.

## NOTE 11 Unrecognised contractual commitments

### Operating lease commitments

Funds SA's operating lease is for office accommodation. Rent is payable in arrears.

	2015 \$'000	2014 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases, are payable as follows:		
Within one year	268	85
Later than one year but not longer than five years	1,055	-
Later than five years	1,642	-
<b>Total non-cancellable operating lease commitments</b>	<b>2,965</b>	<b>85</b>

### Remuneration commitments

Amounts disclosed include commitments arising from executive and other service contracts. Funds SA does not offer fixed term remuneration contracts greater than 5 years.

	2015 \$'000	2014 \$'000
Commitments for the payment of salaries and other remuneration under fixed term employment contracts in existence at the reporting date but not recognised as liabilities are as follows:		
Within one year	1,737	1,248
Later than one year but not longer than five years	4,411	1,258
<b>Total remuneration commitments</b>	<b>6,148</b>	<b>2,506</b>

## NOTE 12 Contingent assets and liabilities

Funds SA is not aware of any contingent assets or liabilities.

# Notes to and forming part of the Financial Statements

## NOTE 13 Cash flow reconciliation

	2015 \$'000	2014 \$'000
<b>Reconciliation of net cash provided by operating activities to surplus:</b>		
Net surplus	374	333
<b>Add non cash items</b>		
Depreciation and amortisation expense	134	199
<b>Changes in assets / liabilities</b>		
(Increase) / decrease in receivables	19	(89)
(Increase) / decrease in other current assets	(32)	(5)
(Decrease) / increase in payables	162	42
(Decrease) / increase in employee benefits	63	132
<b>Net cash provided by operating activities</b>	<b>720</b>	<b>612</b>

## NOTE 14 Financial instruments

### a) Interest Rate Risk

Funds SA's financial assets and financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with interest rate risk at balance date.

	2015 \$'000				2014 \$'000			
	Interest rate at balance date	Floating interest rate	Non interest bearing	Total	Interest rate at balance date	Floating interest rate	Non interest bearing	Total
<b>Financial assets</b>								
Cash	2.07%	3,784	-	<b>3,784</b>	2.35%	3,165	-	<b>3,165</b>
Receivables	-	-	722	<b>722</b>	-	-	739	<b>739</b>
<b>Total financial assets</b>		3,784	722	<b>4,506</b>		3,165	739	<b>3,904</b>
<b>Financial liabilities</b>								
Payables	-	-	15	<b>15</b>	-	-	3	<b>3</b>
<b>Total financial liabilities</b>		-	15	<b>15</b>		-	3	<b>3</b>

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local Govt taxes, fees and charges; Auditor-General's Department audit fees). Where rights or obligations have their source in legislation such as levies, tax and equivalents etc they would be excluded from the disclosure. AASB 132 defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

Receivables amount disclosed here excludes prepayments as prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

# Notes to and forming part of the Financial Statements

## Interest rate and credit risk

Receivables are normally settled within 30 days. Receivables and other assets are non-interest bearing. It is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

## Sensitivity disclosure analysis

A sensitivity analysis has not been undertaken for the interest rate risk of Funds SA as it has been determined that the possible impact on the net surplus / deficit or net assets from fluctuations in interest rates is immaterial.

### (b) Market risk exposure

The Administration Fee that Funds SA charges to its investors to cover its administration expenses is calculated as a percentage of average funds under management valued at market value. The market value of these funds depends upon the performance of the underlying investments, which are linked to the performance of world financial markets.

Funds SA manages this risk in two ways:

- Firstly, its Administration Fee is set at a level that conservatively allows for periods of prolonged low market values of funds under management; and
- Secondly, Funds SA has the ability to increase the Administration Fee should this action be necessary to cover administration expenses.

As Funds SA has the ability to amend the Administration Fee to ensure all administration expenses and liabilities of Funds SA are able to be satisfied as and when they fall due, the market risk is deemed to be immaterial and therefore a sensitivity analysis has not been undertaken.

# Notes to and forming part of the Financial Statements

## (c) Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities.

	Contractual maturities 30 June 2015		Contractual maturities 30 June 2014	
	Carrying amount (\$'000)	< 1 year (\$'000)	Carrying amount (\$'000)	< 1 year (\$'000)
<b>Financial assets</b>				
Cash	3,784	3,784	3,165	3,165
Receivables	722	722	739	739
<b>Total financial assets</b>	<b>4,506</b>	<b>4,506</b>	<b>3,904</b>	<b>3,904</b>
<b>Financial liabilities</b>				
Payables	15	15	3	3
<b>Total financial liabilities</b>	<b>15</b>	<b>15</b>	<b>3</b>	<b>3</b>

# Notes to and forming part of the Financial Statements

## NOTE 15 Investments in Funds SA unit trusts

On 20 June 2008 Funds SA established 15 unit trusts to manage the investments of Funds SA's tax-paying investors. Since that time, an additional two unit trusts have been established. A consolidated list of Funds SA's unit trusts is provided below.

Trust	Date established	Settled Sum
High Growth B Unit Trust	20 June 2008	\$10
Growth B Unit Trust	20 June 2008	\$10
Balanced B Unit Trust	20 June 2008	\$10
Moderate B Unit Trust	20 June 2008	\$10
Conservative B Unit Trust	20 June 2008	\$10
Capital Defensive B Unit Trust	20 June 2008	\$10
Cash Option B Unit Trust	20 June 2008	\$10
Australian Equities B Unit Trust	20 June 2008	\$10
International Equities B Unit Trust	20 June 2008	\$10
Property B Unit Trust	20 June 2008	\$10
Diversified Strategies Growth B Unit Trust	20 June 2008	\$10
Diversified Strategies Income A&B Unit Trust	20 June 2008	\$10
Fixed Interest A&B Unit Trust	20 June 2008	\$10
Inflation Linked Securities A&B Unit Trust	20 June 2008	\$10
Cash A&B Unit Trust	20 June 2008	\$10
Socially Responsible Investment Unit Trust	12 February 2010	\$10
Short Term Fixed Interest A&B Unit Trust	8 June 2010	\$10
<b>Total</b>		<b>\$170</b>



# Notes to and forming part of the Financial Statements

## NOTE 16 Investor funds under management

### Operation of Investment Portfolio

Funds SA operates a multi-layered unitisation structure to facilitate the administration of different investment strategies applying to the various investor funds. For the year ending 30 June 2015, Funds SA managed a number of different investment options distinguished by differing strategic asset allocations, namely:

- High Growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital Defensive
- Cash
- Socially Responsible
- Motor Accident Commission.

Each investor fund holds units in an investment option, which in turn holds units in each of the asset sectors according to the strategic asset allocation for the investment option. Units are issued and redeemed periodically as transactions occur at unit prices calculated having regard to the market value of underlying investments.

Under section 26(2) of the Funds Act, Funds SA is required to “prepare separate financial statements in a form approved by the Minister in respect of each fund or authority in respect of each financial year”. In compliance with the Funds Act, the format of these financial statements has been approved by the Minister.

These investor fund financial statements are explained and disclosed below:

- Each investor fund’s allocation of total net investment income is disclosed in the Statement of Receipts and Payments. The amounts disclosed in the payments and receipts include investor placements and redemptions in investment options inclusive of switches between investment options.
- The interest which each investor fund holds in the unitised investment portfolio is disclosed in the Statement of Funds Under Management - by Investment Option.
- The indirect interest which each investor fund holds in the asset sectors is disclosed in the Statement of Funds Under Management - by Asset Sector.
- Australian Equities A, International Equities A, Property A, Diversified Strategies Growth A and Inflation Linked Securities A asset classes are available to untaxed investors only, whereas Australian Equities B, International Equities B, Property B and Diversified Strategies Growth B asset classes are available to taxed investors only. All other asset classes, with the exception of Fixed Interest (MAC), Absolute Return (MAC), Infrastructure (MAC) and Diversified Strategies Income (MAC) (which are available to the Motor Accident Commission only), are available to both untaxed and taxed investors.

# Notes to and forming part of the Financial Statements

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# Notes to and forming part of the Financial Statements

## 16(a) South Australian Superannuation Scheme – Employer Contribution Accounts

Statement of receipts and payments	2015 \$'000	2014 \$'000
<b>Funds under management at 1 July</b>	<b>2,819,414</b>	<b>2,610,772</b>
Add: Receipts	388,888	416,350
Net investment income	280,749	389,831
	669,637	806,181
Less: Payments	(620,305)	(597,539)
<b>Funds under management at 30 June</b>	<b>2,868,746</b>	<b>2,819,414</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
Growth A	2,868,746	2,819,414
<b>Funds under management at 30 June</b>	<b>2,868,746</b>	<b>2,819,414</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	687,304	674,057
International Equities A	735,017	772,361
Property A	413,074	399,025
Diversified Strategies Growth A	282,287	241,358
Inflation Linked Securities A	205,448	213,099
Long Term Fixed Interest	56,287	44,956
Short Term Fixed Interest	-	15,223
Diversified Strategies Income	394,681	393,726
Cash	94,648	65,609
<b>Funds under management at 30 June</b>	<b>2,868,746</b>	<b>2,819,414</b>

# Notes to and forming part of the Financial Statements

## 16(b) South Australian Superannuation Fund – Old Scheme Division

Statement of receipts and payments	2015 \$'000	2014 \$'000
<b>Funds under management at 1 July</b>	<b>1,401,995</b>	<b>1,308,353</b>
Add: Receipts	1,080	4,210
Net Investment Income	136,287	188,192
	137,367	192,402
Less: Payments	(96,797)	(98,760)
<b>Funds under management at 30 June</b>	<b>1,442,565</b>	<b>1,401,995</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
Growth A	1,442,565	1,401,995
<b>Funds under management at 30 June</b>	<b>1,442,565</b>	<b>1,401,995</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	345,994	335,185
International Equities A	370,013	384,068
Property A	207,945	198,421
Diversified Strategies Growth A	140,523	120,018
Inflation Linked Securities A	103,424	105,967
Long Term Fixed Interest	28,335	22,355
Short Term Fixed Interest	-	7,570
Diversified Strategies Income	198,685	195,786
Cash	47,646	32,625
<b>Funds under management at 30 June</b>	<b>1,442,565</b>	<b>1,401,995</b>

# Notes to and forming part of the Financial Statements

## 16(c) South Australian Superannuation Fund – New Scheme Division

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>673,265</b>	<b>630,061</b>
Add: Receipts	47,839	70,851
Net Investment Income	61,349	82,232
	109,188	153,083
Less: Payments	(112,990)	(109,879)
<b>Funds under management at 30 June</b>	<b>669,463</b>	<b>673,265</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
High Growth A	27,574	23,816
Growth A	527,848	520,630
Balanced A	42,843	41,785
Moderate A	12,758	14,132
Conservative A	29,203	30,390
Capital Defensive A	17,594	18,874
Cash A	8,288	20,976
Socially Responsible	3,355	2,662
<b>Funds under management at 30 June</b>	<b>669,463</b>	<b>673,265</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	150,738	147,253
International Equities A	161,559	169,188
Property A	91,035	87,963
Diversified Strategies Growth A	57,991	49,844
Inflation Linked Securities A	51,598	53,775
Long Term Fixed Interest	15,201	14,510
Short Term Fixed Interest	12,722	12,662
Diversified Strategies Income	90,616	90,835
Cash	34,648	44,573
Socially Responsible	3,355	2,662
<b>Funds under management at 30 June</b>	<b>669,463</b>	<b>673,265</b>

# Notes to and forming part of the Financial Statements

## 16(d) Southern State Superannuation Fund

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>11,623,710</b>	<b>9,932,420</b>
Add: Receipts	573,542	627,635
Net Investment Income	1,079,822	1,357,531
	1,653,364	1,985,166
Less: Payments	(409,329)	(293,876)
<b>Funds under management at 30 June</b>	<b>12,867,745</b>	<b>11,623,710</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
High Growth A	919,360	818,190
Growth A	388,109	341,370
Balanced A	10,691,892	9,613,483
Moderate A	152,351	128,403
Conservative A	311,985	303,904
Capital Defensive A	165,832	153,202
Cash A	193,878	221,785
Socially Responsible	44,338	43,373
<b>Funds under management at 30 June</b>	<b>12,867,745</b>	<b>11,623,710</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	2,719,066	2,409,998
International Equities A	2,926,726	2,779,367
Property A	1,583,719	1,397,878
Diversified Strategies Growth A	956,222	732,670
Inflation Linked Securities A	1,230,964	1,140,748
Long Term Fixed Interest	670,044	547,161
Short Term Fixed Interest	382,880	417,998
Diversified Strategies Income	1,718,376	1,566,346
Cash	635,410	588,171
Socially Responsible	44,338	43,373
<b>Funds under management at 30 June</b>	<b>12,867,745</b>	<b>11,623,710</b>

# Notes to and forming part of the Financial Statements

## 16(e) Super SA Retirement Investment Fund – Super SA Flexible Rollover Product

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>606,091</b>	<b>465,434</b>
Add: Receipts	247,655	210,400
Net Investment Income	46,834	50,510
	294,489	260,910
Less: Payments	(193,653)	(120,253)
<b>Funds under management at 30 June</b>	<b>706,927</b>	<b>606,091</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
High Growth B	35,196	29,624
Growth B	59,832	45,407
Balanced B	320,903	243,045
Moderate B	87,762	69,482
Conservative B	82,554	87,801
Capital Defensive B	55,813	48,069
Cash B	50,717	70,608
Socially Responsible	14,150	12,055
<b>Funds under management at 30 June</b>	<b>706,927</b>	<b>606,091</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities B	128,507	97,591
International Equities B	118,402	94,024
Property B	53,570	53,820
Diversified Strategies Growth B	32,684	22,568
Inflation Linked Securities B	71,232	62,348
Long Term Fixed Interest	41,228	27,756
Short Term Fixed Interest	45,358	33,582
Diversified Strategies Income	99,636	74,387
Cash	102,160	127,960
Socially Responsible	14,150	12,055
<b>Funds under management at 30 June</b>	<b>706,927</b>	<b>606,091</b>

# Notes to and forming part of the Financial Statements

## 16(f) Super SA Retirement Investment Fund – Super SA Income Stream

	2015 \$'000	2014 \$'000
<b>Statement of receipts and payments</b>		
<b>Funds under management at 1 July</b>	<b>1,420,601</b>	<b>1,015,530</b>
Add: Receipts	565,349	408,499
Net Investment Income	122,988	116,605
	<b>688,337</b>	<b>525,104</b>
Less: Payments	(158,698)	(120,033)
<b>Funds under management at 30 June</b>	<b>1,950,240</b>	<b>1,420,601</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
High Growth B	74,797	45,552
Growth B	117,983	94,827
Balanced B	893,610	599,389
Moderate B	274,764	203,353
Conservative B	322,195	236,530
Capital Defensive B	128,806	100,544
Cash B	104,324	117,420
Socially Responsible	33,761	22,986
<b>Funds under management at 30 June</b>	<b>1,950,240</b>	<b>1,420,601</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities B	352,684	233,983
International Equities B	326,333	226,411
Property B	147,703	130,032
Diversified Strategies Growth B	85,842	53,068
Inflation Linked Securities B	211,378	157,911
Long Term Fixed Interest	118,748	71,555
Short Term Fixed Interest	135,685	82,964
Diversified Strategies Income	283,693	183,371
Cash	254,413	258,320
Socially Responsible	33,761	22,986
<b>Funds under management at 30 June</b>	<b>1,950,240</b>	<b>1,420,601</b>



# Notes to and forming part of the Financial Statements

## 16(g) Parliamentary Superannuation Scheme

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>217,700</b>	<b>196,961</b>
Add: Receipts	6,171	4,796
Net Investment Income	21,365	28,863
	27,536	33,659
Less: Payments	(14,079)	(12,920)
<b>Funds under management at 30 June</b>	<b>231,157</b>	<b>217,700</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
High Growth A	2,616	1,917
Growth A	216,195	206,399
Balanced A	10,797	8,111
Moderate A	266	112
Capital Defensive A	307	744
Cash A	333	40
Socially Responsible	643	377
<b>Funds under management at 30 June</b>	<b>231,157</b>	<b>217,700</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	54,995	51,680
International Equities A	58,821	59,222
Property A	32,976	30,563
Diversified Strategies Growth A	22,157	18,368
Inflation Linked Securities A	16,694	16,581
Long Term Fixed Interest	4,918	3,767
Short Term Fixed Interest	384	1,569
Diversified Strategies Income	31,627	30,289
Cash	7,942	5,284
Socially Responsible	643	377
<b>Funds under management at 30 June</b>	<b>231,157</b>	<b>217,700</b>

# Notes to and forming part of the Financial Statements

## 16(h) Judges' Pension Scheme

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>210,205</b>	<b>186,888</b>
Add: Receipts	4,370	4,870
Net Investment Income	20,850	27,557
	25,220	32,427
Less: Payments	(9,440)	(9,110)
<b>Funds under management at 30 June</b>	<b>225,985</b>	<b>210,205</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
Growth A	225,985	210,205
<b>Funds under management at 30 June</b>	<b>225,985</b>	<b>210,205</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	54,202	50,255
International Equities A	57,964	57,584
Property A	32,575	29,750
Diversified Strategies Growth A	22,014	17,995
Inflation Linked Securities A	16,202	15,888
Long Term Fixed Interest	4,439	3,352
Short Term Fixed Interest	-	1,135
Diversified Strategies Income	31,125	29,355
Cash	7,464	4,891
<b>Funds under management at 30 June</b>	<b>225,985</b>	<b>210,205</b>

# Notes to and forming part of the Financial Statements

## 16(i) Governors' Pension Scheme

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>1,086</b>	<b>1,097</b>
Add: Receipts	-	15
Net Investment Income	100	154
	100	169
Less: Payments	(245)	(180)
<b>Funds under management at 30 June</b>	<b>941</b>	<b>1,086</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
Growth A	941	1,086
<b>Funds under management at 30 June</b>	<b>941</b>	<b>1,086</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	226	260
International Equities A	241	297
Property A	136	154
Diversified Strategies Growth A	92	93
Inflation Linked Securities A	67	82
Long Term Fixed Interest	18	17
Short Term Fixed Interest	-	6
Diversified Strategies Income	130	152
Cash	31	25
<b>Funds under management at 30 June</b>	<b>941</b>	<b>1,086</b>

# Notes to and forming part of the Financial Statements

## 16(j) South Australian Ambulance Service Superannuation Scheme

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>198,710</b>	<b>175,594</b>
Add: Receipts	8,420	8,520
Net Investment Income	18,069	22,526
	26,489	31,046
Less: Payments	(6,440)	(7,930)
<b>Funds under management at 30 June</b>	<b>218,759</b>	<b>198,710</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
Balanced B	218,759	198,710
<b>Funds under management at 30 June</b>	<b>218,759</b>	<b>198,710</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities B	49,805	43,375
International Equities B	45,239	40,878
Property B	19,810	22,398
Diversified Strategies Growth B	14,411	11,858
Inflation Linked Securities B	22,552	21,962
Long Term Fixed Interest	16,906	10,433
Short Term Fixed Interest	5,007	7,246
Diversified Strategies Income	33,548	27,413
Cash	11,481	13,147
<b>Funds under management at 30 June</b>	<b>218,759</b>	<b>198,710</b>

# Notes to and forming part of the Financial Statements

## 16(k) Police Superannuation Scheme – Employer Contribution Account

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>832,394</b>	<b>696,279</b>
Add: Receipts	59,900	64,700
Net Investment Income	85,091	107,065
	144,991	171,765
Less: Payments	(38,809)	(35,650)
<b>Funds under management at 30 June</b>	<b>938,576</b>	<b>832,394</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
Growth A	938,576	832,394
<b>Funds under management at 30 June</b>	<b>938,576</b>	<b>832,394</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	225,114	199,006
International Equities A	240,741	228,029
Property A	135,295	117,807
Diversified Strategies Growth A	91,428	71,257
Inflation Linked Securities A	67,291	62,915
Long Term Fixed Interest	18,436	13,273
Short Term Fixed Interest	-	4,494
Diversified Strategies Income	129,271	116,243
Cash	31,000	19,370
<b>Funds under management at 30 June</b>	<b>938,576</b>	<b>832,394</b>

# Notes to and forming part of the Financial Statements

## 16(l) Police Superannuation Fund – Old Scheme Division

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>444,083</b>	<b>394,445</b>
Add: Receipts	-	-
Net Investment Income	44,066	58,138
	44,066	58,138
Less: Payments	(9,180)	(8,500)
<b>Funds under management at 30 June</b>	<b>478,969</b>	<b>444,083</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
Growth A	478,969	444,083
<b>Funds under management at 30 June</b>	<b>478,969</b>	<b>444,083</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	114,879	106,170
International Equities A	122,854	121,654
Property A	69,043	62,850
Diversified Strategies Growth A	46,657	38,016
Inflation Linked Securities A	34,339	33,565
Long Term Fixed Interest	9,408	7,081
Short Term Fixed Interest	-	2,398
Diversified Strategies Income	65,969	62,015
Cash	15,820	10,334
<b>Funds under management at 30 June</b>	<b>478,969</b>	<b>444,083</b>

# Notes to and forming part of the Financial Statements

## 16(m) South Australian Government Financing Authority (SAICORP – Insurance Fund 1)

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>413,902</b>	<b>378,183</b>
Add: Receipts	25,000	-
Net Investment Income	42,035	55,719
	67,035	55,719
Less: Payments	(5,000)	(20,000)
<b>Funds under management at 30 June</b>	<b>475,937</b>	<b>413,902</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
Growth A	475,937	413,902
<b>Funds under management at 30 June</b>	<b>475,937</b>	<b>413,902</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	114,256	99,043
International Equities A	122,388	113,633
Property A	68,487	58,481
Diversified Strategies Growth A	46,282	35,373
Inflation Linked Securities A	34,063	31,232
Long Term Fixed Interest	9,332	6,589
Short Term Fixed Interest	-	2,231
Diversified Strategies Income	65,437	57,704
Cash	15,692	9,616
<b>Funds under management at 30 June</b>	<b>475,937</b>	<b>413,902</b>

# Notes to and forming part of the Financial Statements

## 16(n) South Australian Government Financing Authority (SAICORP – Insurance Fund 2)

Statement of receipts and payments	2015 \$'000	2014 \$'000
<b>Funds under management at 1 July</b>	<b>46,719</b>	<b>53,347</b>
Add: Receipts	-	-
Net Investment Income	3,264	5,372
	3,264	5,372
Less: Payments	(5,000)	(12,000)
<b>Funds under management at 30 June</b>	<b>44,983</b>	<b>46,719</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
Conservative A	44,983	46,719
<b>Funds under management at 30 June</b>	<b>44,983</b>	<b>46,719</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	5,546	5,460
International Equities A	6,247	6,733
Property A	4,160	4,258
Inflation Linked Securities A	7,963	8,325
Long Term Fixed Interest	1,337	2,453
Short Term Fixed Interest	7,876	5,397
Diversified Strategies Income	7,066	7,402
Cash	4,788	6,691
<b>Funds under management at 30 June</b>	<b>44,983</b>	<b>46,719</b>



# Notes to and forming part of the Financial Statements

## 16(o) South Australian Government Financing Authority (SAICORP – Insurance Fund 3)

	2015 \$'000	2014 \$'000
<b>Statement of receipts and payments</b>		
<b>Funds under management at 1 July</b>	<b>2,470</b>	<b>-</b>
Add: Receipts	6,300	2,400
Net Investment Income	313	70
	<b>6,613</b>	<b>2,470</b>
Less: Payments	-	-
<b>Funds under management at 30 June</b>	<b>9,083</b>	<b>2,470</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
Conservative A	9,083	2,470
<b>Funds under management at 30 June</b>	<b>9,083</b>	<b>2,470</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	1,120	289
International Equities A	1,261	356
Property A	840	225
Inflation Linked Securities A	1,608	440
Long Term Fixed Interest	270	130
Short Term Fixed Interest	1,590	285
Diversified Strategies Income	1,427	391
Cash	967	354
<b>Funds under management at 30 June</b>	<b>9,083</b>	<b>2,470</b>

# Notes to and forming part of the Financial Statements

## 16(p) Adelaide Cemeteries Authority

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>4,015</b>	<b>3,626</b>
Add: Receipts	-	400
Net Investment Income	384	489
	384	889
Less: Payments	-	(500)
<b>Funds under management at 30 June</b>	<b>4,399</b>	<b>4,015</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
High Growth A	3,710	3,345
Capital Defensive A	26	25
Cash A	663	645
<b>Funds under management at 30 June</b>	<b>4,399</b>	<b>4,015</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	1,103	996
International Equities A	1,159	1,094
Property A	612	541
Diversified Strategies Growth A	361	287
Inflation Linked Securities A	3	3
Long Term Fixed Interest	1	1
Short Term Fixed Interest	9	5
Diversified Strategies Income	403	366
Cash	748	722
<b>Funds under management at 30 June</b>	<b>4,399</b>	<b>4,015</b>

# Notes to and forming part of the Financial Statements

## 16(q) Motor Accident Commission Compulsory Third Party Fund

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>2,593,486</b>	<b>2,335,868</b>
Add: Receipts	96,000	65,000
Net Investment Income	163,240	283,618
	259,240	348,618
Less: Payments	(793,000)	(91,000)
<b>Funds under management at 30 June</b>	<b>2,059,726</b>	<b>2,593,486</b>

### Statement of funds under management – by investment option

<b>Investment Option</b>		
Motor Accident Commission A	2,059,726	2,593,486
<b>Funds under management at 30 June</b>	<b>2,059,726</b>	<b>2,593,486</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	219,757	494,096
International Equities A	216,174	504,380
Inflation Linked Securities A	55,281	169,819
Fixed Interest (MAC)	726,068	633,645
Diversified Strategies Income (MAC)	660,134	634,237
Infrastructure (MAC)	133,855	122,358
Absolute Return (MAC)	34,660	30,968
Cash	13,797	3,983
<b>Funds under management at 30 June</b>	<b>2,059,726</b>	<b>2,593,486</b>

# Notes to and forming part of the Financial Statements

## 16(r) South Australian Metropolitan Fire Service Superannuation Scheme

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>294,716</b>	<b>254,408</b>
Add: Receipts	30,369	59,011
Net Investment Income	26,660	33,722
	57,029	92,733
Less: Payments	(29,440)	(52,425)
<b>Funds under management at 30 June</b>	<b>322,305</b>	<b>294,716</b>

### Statement of funds under management – by investment option

<b>Investment option</b>		
High Growth B	1,908	1,646
Growth B	258,426	241,516
Balanced B	2,590	2,252
Moderate B	3,712	1,072
Conservative B	51,584	41,666
Capital Defensive B	2,748	3,487
Cash B	1,337	3,077
<b>Funds under management at 30 June</b>	<b>322,305</b>	<b>294,716</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities B	74,200	66,063
International Equities B	68,176	64,102
Property B	33,055	35,934
Diversified Strategies Growth B	23,071	18,870
Inflation Linked Securities B	29,355	27,407
Diversified Strategies Income	49,663	41,095
Long Term Fixed Interest	12,742	6,237
Short Term Fixed Interest	10,159	6,835
Cash	21,884	28,173
<b>Funds under management at 30 June</b>	<b>322,305</b>	<b>294,716</b>

# Notes to and forming part of the Financial Statements

## 16(s) Super SA Select

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	<b>2,000</b>	<b>856</b>
Add: Receipts	925	1,341
Net Investment Income	181	157
	1,106	1,498
Less: Payments	(409)	(354)
<b>Funds under management at 30 June</b>	<b>2,697</b>	<b>2,000</b>

### Statement of funds under management – by investment option

<b>Investment Option</b>		
Balanced B	2,448	1,764
Cash B	249	236
<b>Funds under management at 30 June</b>	<b>2,697</b>	<b>2,000</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities B	557	385
International Equities B	506	363
Property B	222	199
Diversified Strategies Growth B	161	105
Inflation Linked Securities B	252	194
Diversified Strategies Income	376	244
Long Term Fixed Interest	189	93
Short Term Fixed Interest	56	64
Cash	378	353
<b>Funds under management at 30 June</b>	<b>2,697</b>	<b>2,000</b>

# Notes to and forming part of the Financial Statements

## 16(t) Lifetime Support Authority

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	-	-
Add: Receipts	160,000	-
Net Investment Income	5,435	-
	165,435	-
Less: Payments	-	-
<b>Funds under management at 30 June</b>	<b>165,435</b>	<b>-</b>

### Statement of funds under management – by investment option

<b>Investment Option</b>		
Moderate A	165,435	-
<b>Funds under management at 30 June</b>	<b>165,435</b>	<b>-</b>

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities A	27,268	-
International Equities A	29,889	-
Property A	17,005	-
Diversified Strategies Growth A	7,639	-
Inflation Linked Securities A	22,687	-
Diversified Strategies Income	24,365	-
Long Term Fixed Interest	11,559	-
Short Term Fixed Interest	10,738	-
Cash	14,285	-
<b>Funds under management at 30 June</b>	<b>165,435</b>	<b>-</b>

# Notes to and forming part of the Financial Statements

## 16(u) Health Services Charitable Gifts Board – Pool Investment

	2015 \$'000	2014 \$'000
Statement of receipts and payments		
<b>Funds under management at 1 July</b>	-	-
Add: Receipts	85,231	-
Net Investment Income	(954)	-
	84,277	-
Less: Payments	(23,250)	-
<b>Funds under management at 30 June</b>	<b>61,027</b>	-

### Statement of funds under management – by investment option

<b>Investment Option</b>		
Balanced B	41,834	-
Capital Defensive B	19,193	-
<b>Funds under management at 30 June</b>	<b>61,027</b>	-

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities B	10,788	-
International Equities B	9,880	-
Property B	4,383	-
Diversified Strategies Growth B	2,754	-
Inflation Linked Securities B	6,882	-
Diversified Strategies Income	9,468	-
Long Term Fixed Interest	4,134	-
Short Term Fixed Interest	7,168	-
Cash	5,570	-
<b>Funds under management at 30 June</b>	<b>61,027</b>	-

# Notes to and forming part of the Financial Statements

## 16(v) Health Services Charitable Gifts Board –

### South Australian Health and Medical Research Institute Charitable Trust

	2015 \$'000	2014 \$'000
<b>Statement of receipts and payments</b>		
<b>Funds under management at 1 July</b>	-	-
Add: Receipts	12,462	-
Net Investment Income	(59)	-
	12,403	-
Less: Payments	(265)	-
<b>Funds under management at 30 June</b>	<b>12,138</b>	<b>-</b>

#### Statement of funds under management – by investment option

<b>Investment Option</b>		
Capital Defensive B	12,138	-
<b>Funds under management at 30 June</b>	<b>12,138</b>	<b>-</b>

#### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities B	800	-
International Equities B	768	-
Property B	377	-
Inflation Linked Securities B	1,626	-
Diversified Strategies Income	1,933	-
Long Term Fixed Interest	571	-
Short Term Fixed Interest	3,928	-
Cash	2,135	-
<b>Funds under management at 30 June</b>	<b>12,138</b>	<b>-</b>



# Notes to and forming part of the Financial Statements

## 16(w) Health Services Charitable Gifts Board – Ray and Shirl Norman Cancer Research Trust

	2015 \$'000	2014 \$'000
<b>Statement of receipts and payments</b>		
<b>Funds under management at 1 July</b>	-	-
Add: Receipts	6,827	-
Net Investment Income	(96)	-
	<b>6,731</b>	-
Less: Payments	(336)	-
<b>Funds under management at 30 June</b>	<b>6,395</b>	-

### Statement of funds under management – by investment option

<b>Investment Option</b>		
Growth B	5,496	-
Cash B	899	-
<b>Funds under management at 30 June</b>	<b>6,395</b>	-

### Statement of funds under management – by asset sector

<b>Asset sector</b>		
Australian Equities B	1,398	-
International Equities B	1,279	-
Property B	618	-
Diversified Strategies Growth B	480	-
Inflation Linked Securities B	409	-
Diversified Strategies Income	834	-
Long Term Fixed Interest	205	-
Cash	1,172	-
<b>Funds under management at 30 June</b>	<b>6,395</b>	-