

ESSENTIAL SUPER

Annual Report 2016

Colonial First State Investments Limited

ABN 98 002 348 352

AFS Licence 232468

RSE Licence L0002196



Dear Investor

We are pleased to present the Annual Report for the financial year ended 30 June 2016.

This Annual Report is the final component of the reporting information for the 2015–16 financial year.

If you have any questions about the Annual Report please call us on **13 40 74** Monday to Friday, 8am to 7pm, Sydney time.

Yours sincerely,



Linda Elkins
Executive General Manager
Colonial First State



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The Trustee, Colonial First State Investments Limited, can be contacted as follows:

Postal Address: 11 Harbour Street
Sydney NSW 2000

Phone Number: 13 40 74

Fax Number: (02) 9303 3200

These accounts were prepared on 30 November 2016.

Investment options

Commonwealth Essential Super

The objective and strategy of each investment option is available free of charge on our website, commbank.com.au/super or by calling us on 13 40 74.

| Investment options | Underlying manager(s) |
|---------------------------|--|
| Lifestage 1940s option | Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia |
| Lifestage 1950s option | Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia |
| Lifestage 1960s option | Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia |
| Lifestage 1970s option | Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia |
| Lifestage 1980s option | Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia |
| Lifestage 1990s option | Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia |
| Balanced option | Colonial First State Global Asset Management, State Street Global Advisors, Commonwealth Bank of Australia |
| Cash Deposit option | Commonwealth Bank of Australia |
| Australian Shares option | Colonial First State Global Asset Management |

Asset allocation as at 30 June 2016 (%)

Commonwealth Essential Super

| Essential Super Lifestage 1940s option | 2015 | 2016 |
|---|-------------|-------------|
| Australian shares | 16.23 | 16.17 |
| International shares | 20.38 | 19.87 |
| Property | 4.00 | 3.98 |
| Fixed interest | 18.96 | 18.74 |
| International fixed interest | 10.94 | 10.77 |
| Cash | 29.49 | 30.47 |

| Essential Super Lifestage 1950s option | 2015 | 2016 |
|---|-------------|-------------|
| Australian shares | 16.24 | 16.15 |
| International shares | 20.36 | 19.81 |
| Property | 4.15 | 3.97 |
| Fixed interest | 18.96 | 18.95 |
| International fixed interest | 10.91 | 10.80 |
| Cash | 29.38 | 30.32 |

| Essential Super Lifestage 1960s option | 2015 | 2016 |
|---|-------------|-------------|
| Australian shares | 28.48 | 27.04 |
| International shares | 34.90 | 32.21 |
| Property | 6.30 | 5.66 |
| Fixed interest | 13.54 | 13.94 |
| International fixed interest | 7.32 | 7.94 |
| Cash | 9.46 | 13.21 |

| Essential Super Lifestage 1970s option | 2015 | 2016 |
|---|-------------|-------------|
| Australian shares | 33.23 | 32.67 |
| International shares | 40.67 | 39.15 |
| Property | 7.43 | 7.02 |
| Fixed interest | 9.14 | 8.90 |
| International fixed interest | 6.04 | 5.94 |
| Cash | 3.49 | 6.32 |

| Essential Super Lifestage 1980s option | 2015 | 2016 |
|---|-------------|-------------|
| Australian shares | 33.11 | 32.58 |
| International shares | 40.76 | 39.09 |
| Property | 7.50 | 6.97 |
| Fixed interest | 9.11 | 8.90 |
| International fixed interest | 6.04 | 5.93 |
| Cash | 3.48 | 6.53 |

Asset allocation as at 30 June 2016 (%) Commonwealth Essential Super

| Essential Super Lifestage 1990s option | 2015 | 2016 |
|---|-------------|-------------|
| Australian shares | 33.32 | 32.69 |
| International shares | 40.68 | 38.92 |
| Property | 7.43 | 6.89 |
| Fixed interest | 9.05 | 8.85 |
| International fixed interest | 6.02 | 5.88 |
| Cash | 3.50 | 6.77 |

| Essential Super Australian Shares Option | 2015 | 2016 |
|---|-------------|-------------|
| Australian shares | 99.90 | 99.61 |
| International shares | 0.00 | 0.00 |
| Property | 0.00 | 0.00 |
| Fixed interest | 0.00 | 0.00 |
| International fixed interest | 0.00 | 0.00 |
| Cash | 0.10 | 0.39 |

| Essential Super Balanced Option | 2015 | 2016 |
|--|-------------|-------------|
| Australian shares | 20.57 | 20.57 |
| International shares | 25.30 | 24.72 |
| Property | 4.79 | 4.64 |
| Fixed interest | 18.04 | 17.68 |
| International fixed interest | 12.00 | 11.75 |
| Cash | 19.30 | 20.64 |

| Essential Super Cash Deposit | 2015 | 2016 |
|-------------------------------------|-------------|-------------|
| Australian shares | 0.00 | 0.00 |
| International shares | 0.00 | 0.00 |
| Property | 0.00 | 0.00 |
| Fixed interest | 0.00 | 0.00 |
| International fixed interest | 0.00 | 0.00 |
| Cash | 100.00 | 100.00 |

Performance returns as at 30 June 2016 (%)

Commonwealth Essential Super

| | Annual effective rate of net earnings ¹ | | | | | 5 year compound average rate of return | Since inception |
|--|--|------|-------|------|------|--|-----------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | | |
| Essential Super Lifestage 1940's option | 3.74 | 6.13 | 9.02 | – | – | – | 5.87 |
| Essential Super Lifestage 1950's option | 3.63 | 6.08 | 9.93 | – | – | – | 6.06 |
| Essential Super Lifestage 1960's option | 3.41 | 8.47 | 14.30 | – | – | – | 8.16 |
| Essential Super Lifestage 1970's option | 3.34 | 9.07 | 14.66 | – | – | – | 8.27 |
| Essential Super Lifestage 1980's option | 3.38 | 9.06 | 14.63 | – | – | – | 8.29 |
| Essential Super Lifestage 1990's option | 3.40 | 9.09 | 14.62 | – | – | – | 8.33 |
| Essential Super Australian Shares Option | 1.04 | 5.66 | 15.39 | – | – | – | 6.41 |
| Essential Super Balanced Option | 3.85 | 6.91 | 10.54 | – | – | – | 6.58 |
| Essential Super Cash Deposit | 1.67 | 2.07 | 2.15 | – | – | – | 1.97 |

¹ The annual effective rate of net earnings is calculated on an exit price to exit price basis, net of taxes payable and after ongoing fees and expenses, but excluding entry fees and individual taxes.

Past performance is no indication of future performance.

Other important information

This information is relevant to and forms part of the Annual Report contained in this booklet

Guarantee under RSE Licence

The Trustee has the benefit of a guarantee of \$5 million from Commonwealth Bank of Australia (ABN 48 123 123 124) in respect of the due performance of its duties as an RSE Licensee. Commonwealth Bank of Australia is the ultimate holding company of the Trustee. The guarantee is available for inspection by contacting the Company Secretary of the Trustee.

Indemnity insurance

The Trustee is responsible for its activities and carries professional indemnity insurance.

Method of allotment of earnings in all investment options

All income, including realised and unrealised capital gains and losses, and expenses for all investment options are brought to account and are fully reflected in the unit price of that option. Income tax as appropriate is provided for in the unit price for each investment option.

Trustee's policy for the use of derivatives

The Trustee has a detailed Derivatives Risk Management Policy which covers the use of derivatives, the controls over their use, and the processes of assessing compliance with those controls. These policies and controls are intended to ensure proper use of derivatives. The Fund has an indirect exposure to derivatives through its investments in other managed investment schemes managed by the Trustee. Derivatives are used in the underlying investments as an alternative to direct purchases or sales and not for trading purposes.

Taxation matters

- Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information.
- Commonwealth Bank is also not a registered tax (financial) adviser under the Tax Agent Services Act 2009 and you should seek tax advice from a registered tax agent or a registered tax (financial) adviser if you intend to rely on this information to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law.

Temporary residents

You can receive a Departing Australia Superannuation Payment (DASP) benefit equal to your account balance (less tax), if:

- you are not an Australian or New Zealand citizen, are not a permanent resident in Australia or do not hold a 405 or 410 retirement visa
- you leave Australia
- your temporary visa is no longer valid, and
- we get written evidence from the Department of Immigration to confirm these facts.

If you need written confirmation, contact the Department of Immigration and ask for a Certification of Immigration Status.

Its contact details are:

Department of Immigration and Citizenship
Superannuation Certification and Cancellation Team
GPO Box 1496, Hobart TAS 7001
Fax: + 61 3 6281 9453
Phone: 13 18 81 if in Australia.

Otherwise, contact your nearest Australian mission
Email: super.hobart@border.gov.au
Website: [www.border.gov.au/Forms/ Documents/1194.pdf](http://www.border.gov.au/Forms/Documents/1194.pdf)

Other important information

The only other benefits that you may receive from Essential Super as a temporary resident are:

- a death benefit
- a total and permanent disablement benefit
- a terminal illness benefit, or
- a release authority for excess contributions tax.

We'll withhold the taxable part of your DASP benefit. Speak to a tax adviser or contact the ATO to find out what tax rates apply to your DASP benefit.

It's important to ask for your DASP benefit to be paid to you within six months of the day when your temporary visa expires and you leave the country (whichever happens latest). If you don't, we may have to pay your account balance to the ATO. In addition, you will no longer be an Essential Super member, your money will no longer be invested in your chosen investment options, and you'll lose any insurance cover you had with the Fund.

According to ASIC Class Order 09/437, we don't have to let you know that we're transferring your benefit to the ATO or give you an exit statement.

You can still claim your account balance after we've transferred it to the ATO. Simply:

- contact the ATO
- download a DASP application from ato.gov.au
- email it to DASPMail@ato.gov.au or call the ATO on 13 10 20.

Transfer to the Eligible Rollover Fund (ERF)

If we lose touch with you, or you are no longer eligible to be a member of our fund, we can transfer your super to another fund, called an ERF. We will give you 30 days advance written notice if we need to do this, so you have the chance to tell us which fund you'd like us to transfer your benefits to.

If we don't hear from you, we'll transfer your funds to the ERF and let you know in a letter that we'll send to your last known address.

Other important information

The ERF that we have selected is:
Colonial SuperTrace Eligible Rollover Fund
ABN 73 703 878 235

The Trustee is:
Colonial Mutual Superannuation Pty Ltd
ABN 56 006 831 983
Locked Bag 5429, Parramatta NSW 2124
Free call: 1300 788 750

If we transfer your super to an ERF, you should contact the ERF and ask for a copy of its PDS to find out more about the product.

In particular, you should understand:

- the governing rules
- the different fee structure
- the investment option, which will affect your investment's risks and returns.

Remember that if your super is transferred to an ERF you will lose any insurance cover you have with us.

You should check your super regularly to decide whether the ERF meets your personal circumstances.

Further information you may request to receive

Investors may also request the following additional information from Colonial First State at any time, free of charge:

- the full audited financial statements for the Fund
- a copy of the most recent Product Disclosure Statement covering the relevant investment strategies and options, contribution levels and insurance cover of the Fund
- audited financial statements for Colonial First State Investments Limited
- the Trust Deed governing Commonwealth Essential Super
- information published on any of the underlying funds that the investment options invest in, and
- performance reports for each of the investment options comprising Essential Super, which are updated quarterly.

Investments with a market value of over 5% of the Fund

| Investments | Market value (\$'000) |
|---|------------------------------|
| Commonwealth Essential Super Lifestage Fund 1950–1959 | 90,502 |
| Commonwealth Essential Super Lifestage Fund 1960–1969 | 200,634 |
| Commonwealth Essential Super Lifestage Fund 1970–1979 | 315,639 |
| Commonwealth Essential Super Lifestage Fund 1980–1989 | 540,588 |
| Commonwealth Essential Super Lifestage Fund 1990–1999 | 168,004 |

Abridged financial report

The financial report of **Commonwealth Essential Super** (the Fund) has been audited by PricewaterhouseCoopers, and in their opinion, present fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Fund as at 30 June 2016 and the results of its operations for the year ended 30 June 2016. Set out below is an abridged version of the accounts for the Fund for the year to 30 June 2016 along with comparatives for the year to 30 June 2015. The abridged financial report is unaudited and only the annual financial report has been audited. For a better understanding of the financial report and auditor's report, the abridged financial information should be read in conjunction with the annual financial report for the year ended 30 June 2016.

| | 2016 | | 2015 | |
|---|-----------|------------------|----------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Net assets as at 30 June 2015 and 30 June 2014 | | 1,022,797 | | 372,896 |
| Income | | | | |
| Members' contributions | 46,485 | | 50,657 | |
| Employers' contributions | 308,041 | | 194,830 | |
| Transfers from other funds | 310,969 | | 484,084 | |
| Interest income | 2,432 | | 1,922 | |
| Distribution income | 52,447 | | 31,939 | |
| Changes in net market values | (11,666) | | 11,330 | |
| Proceeds from group life insurance | 2,275 | | 980 | |
| Other income | 124 | 711,107 | 277 | 776,019 |
| Expenses | | | | |
| Trustee fees | (9,076) | | (5,654) | |
| Insurance premiums | (8,984) | | (5,042) | |
| Benefits paid and payable | (133,563) | | (81,191) | |
| Other expenses | (4) | (151,627) | – | (91,887) |
| Income tax expense | | (47,838) | | (34,231) |
| Net assets as at 30 June 2016 and 30 June 2015 | | 1,534,439 | | 1,022,797 |

The net assets at 30 June 2016 were made up as follows:

| | 2016 | | 2015 | |
|---|-----------|------------------|----------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | |
| Cash and cash equivalents | 146,632 | | 110,921 | |
| Investments: | | | | |
| – Managed investment schemes | 1,401,461 | | 922,237 | |
| Contributions receivable | 6,328 | | 6,687 | |
| Other receivables | 188 | 1,554,609 | 120 | 1,039,965 |
| Liabilities | | | | |
| Members' benefits payable | (462) | | (828) | |
| Creditors and accruals | (862) | | (551) | |
| Provision for income tax | (18,767) | | (14,667) | |
| Deferred tax liabilities | (79) | (20,170) | (1,122) | (17,168) |
| Net assets as at 30 June 2016 and 30 June 2015 | | 1,534,439 | | 1,022,797 |

Things you should know: Colonial First State Investments Limited ABN 98 002 348 352, AFS Licence 232468 ('Colonial First State') is the issuer of interests in Commonwealth Essential Super ABN 56 601 925 435. This information is not financial product advice and does not take into account any person's individual objectives, financial circumstances or needs. You should read the Product Disclosure Statement (PDS) for Commonwealth Essential Super and consider talking to a financial adviser before deciding whether to acquire or continue to hold this product. You can download the PDS from commbank.com.au/super, collect one from any branch of the Commonwealth Bank or call us on 13 40 74 and we'll post one out to you. Colonial First State is a wholly owned subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124 ('the Bank'). The Bank and its subsidiaries do not guarantee the performance of Essential Super or the repayment of capital by Essential Super. An investment in Essential Super is via a superannuation trust and is therefore not an investment in, deposit with or other liability of the Bank or its subsidiaries. An investment in Essential Super is subject to risk, loss of income and capital invested.

Call:
13 40 74

Email:
contactessentialsuper@cba.com.au

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