

H.E.S.T. AUSTRALIA LTD
A.B.N. 66 006 818 695

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

H.E.S.T. AUSTRALIA LTD
A.B.N. 66 006 818 695

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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H.E.S.T. AUSTRALIA LTD
A.B.N. 66 006 818 695
(A Company Limited by Guarantee)

DIRECTORS' REPORT

The Directors present the financial statements of H.E.S.T. Australia Ltd (the Company) for the year ended 30 June 2023 and report as follows:

Directors

The names of the Directors in office during the financial year and up to the date of this report are:

N. Roxon (Independent Chair) (appointed 01/01/2019)	
S. Dahn (Independent Director & Chair of Investment Committee) (appointed 01/07/2023)	
M. Burgess (Independent Director & Chair of Investment Committee) (ceased 27/06/2023)	
Employer Appointed	Employee Appointed
D. Cole* (Deputy Chair) (appointed 01/01/2015)	H. Gibbons (Deputy Chair) (appointed 04/02/2016)
S. Cornelissen* (ceased 10/10/2022)	K. Marshall* (appointed 01/01/2022)
C. Smith* (appointed 25/09/2015)	B. Holmes* (appointed 15/09/2021)
A. Morrison (appointed 01/03/2021)	E. Gaske (appointed 12/02/2020)
G. Humphrys (appointed 18/05/2015)	L. Sharp* (appointed 01/07/2018)
S. Cooke (ceased 30/06/2023)	B. Davison (appointed 15/09/2021)
J. Bennett (appointed 01/01/2023)	
E. Maiden (appointed 20/07/2023)	

*Members of HESTA (the Fund).

Principal Activity

H.E.S.T. Australia Ltd (the Company) was established on 30 July 1987 and is a company limited by guarantee that is incorporated and domiciled in Australia. Under the terms of the Fund's declaration of trust, H.E.S.T. Australia Ltd (A.B.N. 66 006 818 695) is appointed Trustee of HESTA (the Fund). The address of H.E.S.T. Australia Ltd's registered office is Level 20, 2 Lonsdale Street, Melbourne, Victoria, Australia.

The Company also holds an Australian Financial Services Licence ("AFSL") and a Registrable Superannuation Entity (RSE) Licence. The Company incurs operating expenses in providing trustee services to the Fund. Under the terms of the Trust Deed of HESTA (the Fund), the Company is entitled to receive trustee services fees, calculated by reference to the costs incurred by the Company in running the Fund.

Results

The profit/(loss) after income tax for the twelve months ended 30 June 2023 was \$6,201,173 (six months ended 2022: \$5,395,867).

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DIRECTORS' REPORT (continued)

State of Affairs

In the opinion of the Directors there were several significant changes in the state of affairs of the Company during the financial year under review.

During the year, the Successor Fund Transfer ('SFT') of all members, assets and liabilities of the Mercy Super Fund, a fully defined contribution fund, occurred at 11.59pm on 30 November 2022.

The Company maintains Trustee indemnity in its personal capacity due to changes to Sections 56 and 57 of the Superannuation (Industry) Supervision Act (1993(Cth) (SIS Act). Superannuation fund trustees are prohibited from accessing superannuation fund assets to pay criminal, civil or administrative penalties incurred by the Company or its directors in relation to a contravention of any Commonwealth law.

On the 27th April 2023, a Trustee Fee of \$8,800,000 was paid from the Fund Development reserve and transferred to the Trustee Capital reserve. The Trustee Capital Reserve (TCR) represents the balance of funds held by H.E.S.T. Australia Limited (the Company) as capital on its own account to address the risks associated with its role as trustee of the Health Employees Superannuation Trust Australia (Trust).

Any payments from the TCR must be authorised by the Board. The Company may pay from the Trustee Capital Reserve:

- any liability incurred in connection with the investment and management of the funds held in the Trustee Capital Reserve;
- any liability for taxation incurred in connection with the Trustee Fee, the Trustee Capital Reserve or otherwise;
- any amount representing all or part of an insurance premium or any deductible or out-of-pocket costs in respect of a policy of liability or indemnity insurance for the Company or directors or officers.

The investment strategy for the Trustee Capital Reserve considers the risk profile of HESTA's investment options and is currently invested in a negotiated cash rate, to reduce volatility.

The Trustee Capital Reserve will be maintained in a distinct segregated portfolio and is separately identifiable from Trust assets.

The Trustee Capital reserve is funded by a Trustee Fee payable by the Fund to the Company in its personal capacity.

Events Subsequent to Balance Date

During the year, the Trustee on behalf of HESTA (the fund) entered into an agreement for administration services with Grow Super Ops Pty Ltd ('GROW'), and subject to the agreement, will transition all of its outsourced administration services to GROW towards the end of 2024 calendar year.

Likely Developments

The Company will continue to act solely as Trustee of the Fund and, at the date of this report, the Directors believe the Company will not carry out any business actively on its own behalf in the foreseeable future.

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DIRECTORS' REPORT (continued)

Environmental Regulation

The Company is not subject to significant environmental regulation.

Indemnification and Insurance of Officers

To the extent not covered by a contract of insurance, the Company indemnifies:

- (a) its officers against liabilities to persons (other than the Company or a related body corporate), unless the liability arises out of conduct involving lack of good faith, and
- (b) its officers against a liability for costs and expenses incurred in successfully defending civil or criminal proceedings.

During the year premiums were paid for superannuation fund trustees liability insurance, which among others, provides insurance cover for the Directors and the Secretary of the Company in respect of any breach of trust, breach of duty or any other act, wrongfully committed in executing any of the functions of the schemes of which the Company is Trustee.

During the financial year, the Company paid insurance premiums of \$950,178 (2022: \$568,619) to insure the Directors and Officers of the Company. For the three months ended 30 June 2023, insurance premiums were paid by the Fund, on behalf of the Company.

Indemnity of auditors

The auditors of the Company are in no way indemnified out of the assets of the Company.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Directors' Benefits

During the year ended 30 June 2023, no Director of the Company has received or become entitled to receive a benefit (other than remuneration shown at Note 9 or reimbursement of expenses for attending meetings) by reason of a contract made by the Company with the Director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest.

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DIRECTORS' REPORT (continued)

Meeting Attendance of the Directors

Meeting attendance of the Directors of H.E.S.T. Australia Ltd (A.B.N 66 006 818 695) as appointed Trustee of the Fund during the year were:

Director	Board of Directors	Risk Committee	Finance, Audit and Compliance Committee	Governance and Remuneration Committee	Investment Committee
N. Roxon	8/8	5/5	-	6/6	6/6
M. Burgess	8/8	-	-	-	6/6
D. Cole	8/8	5/5	5/5	-	-
H. Gibbons	7/8	-	-	6/6	6/6
G. Humphrys	7/8	-	5/5	-	6/6
C. Smith	8/8	5/5	-	6/6	-
S. Cooke	8/8	-	-	-	6/6
L. Sharp	7/8	-	-	-	5/6
E. Gaske	6/8	4/5	-	4/6	-
A. Morrison	8/8	-	5/5	6/6	-
S. Cornelissen	4/4	-	-	-	-
B. Holmes	8/8	5/5	-	-	-
B. Davison	8/8	-	5/5	-	-
K. Marshall	7/8	-	5/5	-	-
J. Bennett	3/3	-	-	-	-

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DIRECTORS' REPORT (continued)

Qualifications of the Directors

The qualifications of the Directors of H.E.S.T. Australia Ltd (A.B.N 66 006 818 695) as appointed Trustee of the Fund, in office at the date of this report are:

Director and other responsibilities	Other Roles	Qualifications
<p>Nicola Roxon</p> <ul style="list-style-type: none"> • Independent Board Chair • Member, Governance and Remuneration Committee • Member, Investment Committee • Member, Risk Committee 	<ul style="list-style-type: none"> • Chair, Australian Institute of Health and Welfare • Non-Executive Director, Dexus Fund Management Limited and Chair of ESG Committee • Non-Executive Director, Dexus Holdings Limited • Non-Executive Director, Lifestyle Communities Ltd • Non-Executive Director, Victorian Health Promotion Foundation • Non-Executive Murdoch Children's Research Institute • Member, Chief Executive Women • Patron, BreastWest Foundation • Member, ISA Advisory Council 	<ul style="list-style-type: none"> • Bachelor of Arts/Law LLB (Hons), University of Melbourne • Graduate, Australian Institute of Company Directors
<p>Susanne Dahn</p> <ul style="list-style-type: none"> • Independent Director • Chair, Investment Committee 	<ul style="list-style-type: none"> • Independent Non-Executive Director and Chair of Investment Committee, Breakthrough Victoria • Non-Executive Director, Victorian Traditional Owners Funds Limited • Non Executive Director and Chair Investment Committee, Australian Communities Foundation • Consultant, Pitcher Partners • Independent Investment Advisor, Law Institute of Victoria • Independent Investment Advisor, Vic Automobile Chamber of Commerce • Independent Investment Adviser to Victorian Legal Services Board • Independent Investment Adviser to Trinity College, University of Melbourne • Independent Investment Advisor, Machado-Joseph Disease Foundation • Council Member, RMIT 	<ul style="list-style-type: none"> • Bachelor of Com, University of Melbourne • MBA, University of Melbourne • Graduate Diploma of Applied Finance and Investment • Company Directors Diploma • Graduate Certificate in Applied Corporate Governance and Risk Management • Fellow of the Australian Institute of Company Directors (FAICD) • Fellow Australian Institute of Super Trustees (FAIST) • Fellow Finsia (former Securities Institute Australia) (F Fin) • Fellow Australian Super Funds Association (FASFA) • Fellow CPA Australia (FCPA)

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DIRECTORS' REPORT (continued)

Qualifications of the Directors (continued)

Director and other responsibilities	Other Roles	Qualifications
Deborah Cole <ul style="list-style-type: none"> • Deputy Chair • Chair, Risk Committee • Member, Finance Audit and Compliance Committee 	<ul style="list-style-type: none"> • Director, Frontier Advisors Pty Ltd • Director, Western Health 	<ul style="list-style-type: none"> • Bachelor of Dental Surgery • Master of Business Administration • Graduate Diploma of Health Administration • Graduate Certificate in Leadership and Catholic Culture • Fellow of the Australian Institute of Company Directors (FAICD) • Graduate of the Australian Institute of Superannuation Trustees Directors' (Adv) (GAIST)
Helen Gibbons <ul style="list-style-type: none"> • Deputy Chair • Chair, Governance and Remuneration Committee • Member, Investment Committee 	<ul style="list-style-type: none"> • Executive Director, United Workers Union • Director, South Australia Skills Commission • Member Council, United Workers Union • Member, IFM Shareholder Advisory Board 	<ul style="list-style-type: none"> • Diploma of Teaching • Graduate of the Australian Institute of Superannuation Trustees Directors' Course (GAIST)
Gary Humphrys <ul style="list-style-type: none"> • Chair, Finance Audit and Compliance Committee • Member, Investment Committee 	<ul style="list-style-type: none"> • Trustee Director, Mary Aikenhead Ministries 	<ul style="list-style-type: none"> • Post-graduate Diploma of Business Administration, University of Queensland • Chartered Accountant • Member and Graduate of Australian Institute of Company Directors (GAICD) • Graduate of the Australian Institute of Superannuation Trustees Directors' Course (GAIST, Adv) • Diploma of Commerce, NSW Institute of Technology (now University of Technology)

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DIRECTORS' REPORT (continued)

Qualifications of the Directors (continued)

Director and other responsibilities	Other Roles	Qualifications
<p>Catherine Smith</p> <ul style="list-style-type: none"> • Member, Risk Committee • Member, Governance and Remuneration Committee 	<ul style="list-style-type: none"> • Director, Utilities of Australia Pty Ltd • Advisor, Australian Communities Foundation Philanthropy and Impact Committee • Life Member, Victorian Council of Social Services • Member, Country Needs People • Member, Climate and Health Alliance • Member, Gender Equity Victoria • Chair, Energy Charter End Users Consultative Group • Principal, Changesmith Consulting 	<ul style="list-style-type: none"> • Master of Strategic Foresight • Bachelor of Natural Environmental Science • Fellow of the Institute of Public Administration Australia IPAA (Vic Branch) • Graduate of the Australian Institute of Superannuation Trustees Directors' Course (GAIST) followed by advanced training in 2021. • RG 146
<p>Lori-Anne Sharp</p> <ul style="list-style-type: none"> • Member, Investment Committee 	<ul style="list-style-type: none"> • Board Member, Members Connect ACTU • Board Member, Australian People for Health, Education and Development Abroad (APHEDA) • Federal Assistant Secretary, Australian Nursing & Midwifery (ANMF) • Federal Executive ANMF • Federal Council ANMF • Executive member, ACTU • Executive member, ANMF Finance and Risk Management Committee 	<ul style="list-style-type: none"> • Bachelor of Nursing, RMIT • Graduate, Australian Institute of Superannuation Trustees (GAIST)
<p>Emeline Gaske</p> <ul style="list-style-type: none"> • Member, Risk Committee • Member, Governance and Remuneration Committee 	<ul style="list-style-type: none"> • Assistant National Secretary, Australian Services Union (ASU) • Executive Member, ACTU • Member, UNI APRO Executive Committee • Member, Respect at Work Council 	<ul style="list-style-type: none"> • Bachelor of Arts (Hons) • Bachelor of Laws (Hons) • Graduate of the Australian Institute of Superannuation Trustees Directors' Course (GAIST)
<p>Alan Morrison</p> <ul style="list-style-type: none"> • Member, Governance and Remuneration Committee • Member, Finance Audit and Compliance Committee 	<ul style="list-style-type: none"> • CEO, The Burnside War Memorial Hospital Inc • Director and Treasurer, Australian Private Hospitals Association • State President, Australian Private Hospitals Association SA Branch 	<ul style="list-style-type: none"> • Bachelor of Accounting (Hons), University of Dundee, UK • Chartered Accountant, Institute of Chartered Accountants of Scotland (ICAS) (Non Member) • Graduate of Australian Institute of Company Directors (GAICD) • Graduate of the Australian Institute of Superannuation Trustees Directors' Course (GAIST) • Graduate, Australian Institute of Superannuation Trustees (AIST)

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DIRECTORS' REPORT (continued)

Qualifications of the Directors (continued)

Director and other responsibilities	Other Roles	Qualifications
<p>Benjamin Davison</p> <ul style="list-style-type: none"> • Member, Finance Audit and Compliance Committee 	<ul style="list-style-type: none"> • Founder & CEO of Ben Davison Consulting (sole trader) • Board Member, Ballarat General Cemeteries Trust and Chair of Organisational Capacity and Remuneration Committee • Chair, Central Highlands Group Training Inc. trading as Ballarat Group Training (BGT) • Board Member, ACTU Member Connect • Board Member, Western Health and member of Finance Committee • Member Ballan and District Chamber of Commerce • Life Member Deakin University Student Association (DUSA) • Member ASU Victorian Private Sector Branch • Member, The New Daily Stakeholder Forum 	<ul style="list-style-type: none"> • Bachelor of Arts, majors in Journalism, Politics & Policy, Deakin University • MBA (Professional), Melbourne University • Graduate, Australian Institute of Company Directors (AICD)
<p>Brett Holmes</p> <ul style="list-style-type: none"> • Member, Risk Committee 	<ul style="list-style-type: none"> • Director, Teachers Federation Health Ltd 	<ul style="list-style-type: none"> • Non Practising Registered Nurse • Non Practising Midwife • Psychiatric Nursing Certificate • Graduate Harvard Trade Union Program • Graduate Sydney University Project Management Course • Graduate of the Australian Institute of Superannuation Trustees Directors' Course (GAIST)
<p>Kate Marshall</p> <ul style="list-style-type: none"> • Member, Finance Audit and Compliance Committee 	<ul style="list-style-type: none"> • National Assistant Secretary, HSU • Assistant State Secretary, HACSU, Vic • Member, Trades Hall and Literary Institute • Member, HSU National Executive, National Council and National Finance 	<ul style="list-style-type: none"> • Bachelor of Arts (Journalism) • Bachelor of Laws • Graduate of the Australian Institute of Superannuation Trustees Directors' Course (GAIST)
<p>Jacqueline Bennett</p>	<ul style="list-style-type: none"> • Director, Koobara Kindergarten and Pre-Prep Aboriginal and Torres Strait Islander Corporation Board 	<ul style="list-style-type: none"> • Certificate IV – Community Services
<p>Emma Maiden</p> <ul style="list-style-type: none"> • Member, Investment Committee 	<ul style="list-style-type: none"> • Director, Sydney Community Forum • Executive member, Uniting NSW.ACT • Director, EGM trust (testamentary trust) • Member, Uniting Financial Services Ethical Investment Monitoring Committee 	<ul style="list-style-type: none"> • Bachelor of Economics (Hons) • Diploma of Law, Legal Practitioners Admission Board • Admitted to Practice as a Solicitor by NSW Supreme Court • Graduate Australian Institute of Company Directors

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DIRECTORS' REPORT (continued)

This report has been made in accordance with a resolution of Directors.



.....
Director



.....
Director

Dated this 26th day of September 2023.

Melbourne, Victoria



Auditor's Independence Declaration

As lead auditor for the audit of H.E.S.T. Australia Ltd for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Nicole Osborne', written in a cursive style.

Nicole Osborne
Partner
PricewaterhouseCoopers

Melbourne
26 September 2023

H.E.S.T. AUSTRALIA LTD
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	Jun-23 \$	Jun-22 * \$
Assets			
Cash at bank	3 (a)	14,282,619	7,194,489
Receivables	4	24,822	1,002,349
Total Assets		14,307,441	8,196,838
Current Liabilities			
Payables	5	1,101,936	1,002,349
Current tax liabilities		1,608,465	1,798,622
Total Liabilities		2,710,401	2,800,971
Net Assets		11,597,040	5,395,867
Equity			
Contributed Equity		-	-
Trustee Capital Reserve	7	11,597,040	5,395,867
Retained Earnings		-	-
Total Equity		11,597,040	5,395,867

*Comparative period represents 6 months ended 30 June 2022.

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

H.E.S.T. AUSTRALIA LTD
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Jun-23 \$	Jun-22 * \$
Revenue			
Trustee management fee		2,777,752	1,427,804 **
Other Income			
Trustee Fee		8,000,000	7,181,818
Interest		268,429	12,671
Total revenue and other income		11,046,181	8,622,293
Expenses			
Director fees		1,350,525	619,857
Trustee liability insurance		950,178	568,619
Travel and Education		318,464	100,323
Other expenses		157,856	139,005 **
Total expenses		2,777,023	1,427,804
Profit/(loss) before income tax for the period		8,269,158	7,194,489
Income tax (expense)/benefit	6 (a)	(2,067,985)	(1,798,622)
Profit/(loss) after income tax for the period		6,201,173	5,395,867
Total comprehensive income /(loss) for the period		6,201,173	5,395,867

*Comparative period represents 6 months ended 30 June 2022.

** The Trustee Management Fee and Other Expenses for the six months ended 30 June 2022 has been restated due to an allocation correction with nil impact to the Total Comprehensive Income.

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Trustee Capital Reserve \$	Retained Earnings \$	Total Equity \$
Total equity at the beginning of the reporting period - 1 July 2022		5,395,867	-	5,395,867
Total comprehensive income/(loss) for the period		6,201,173	-	6,201,173
Total equity at the end of the reporting period - 30 June 2023	7	<u><u>11,597,040</u></u>	<u><u>-</u></u>	<u><u>11,597,040</u></u>

		Trustee Capital Reserve \$	Retained Earnings \$	Total Equity \$
Total equity at the beginning of the reporting period - 1 July 2021		-	-	-
Total comprehensive income/(loss) for the period		5,395,867	-	5,395,867
Total equity at the end of the reporting period - 30 June 2022*	7	<u><u>5,395,867</u></u>	<u><u>-</u></u>	<u><u>5,395,867</u></u>

*Comparative period represents 6 months ended 30 June 2022.

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

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Notes	Jun-23 \$	Jun-22 * \$
Cash flows from operating activities			
Trustee Fee		8,800,000	7,181,818
Interest received		268,429	12,671
Trustee management fee received		277,208	-
Bank charges paid		(60)	-
Income tax paid		(2,257,448)	-
Net cash inflow/(outflow) from operating activities	3 (b)	<u><u>7,088,130</u></u>	<u><u>7,194,489</u></u>
Cash flow from investing activities		<u><u>-</u></u>	<u><u>-</u></u>
Cash flow from financing activities		<u><u>-</u></u>	<u><u>-</u></u>
Net increase/(decrease) in cash and cash equivalents		7,088,130	7,194,489
Cash and cash equivalents at the beginning of the period		7,194,489	-
Cash and cash equivalents at the end of the period	3 (a)	<u><u>14,282,619</u></u>	<u><u>7,194,489</u></u>

*Comparative period represents 6 months ended 30 June 2022.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following explains the significant accounting policies which have been adopted in the preparation of these financial statements. These policies have been consistently applied unless otherwise indicated.

(a) Basis of Preparation

(i) General purpose financial statements

These general purpose financial statements have been prepared in accordance with the recognition and measurement principles of all applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. They contain disclosures that are mandatory under the Accounting Standards and those considered necessary by the Directors to meet the needs of members.

The financial statements comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(iii) New accounting standards and interpretations

There are no new standards or amendments to standards that are mandatory for the first time in the financial year beginning 1 July 2022 that affect the Company's financial statements and are not likely to affect future periods. The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2022.

(b) Cash and cash equivalents

Cash at bank in the statement of financial position represents the transfer of \$8,800,000 from the Fund Development Reserve to the Trustee Capital reserve and is used to address the risks associated with its role as trustee of the Health Employees Superannuation Trust Australia (Trust) under Sections 56 and 57 of the Superannuation (Industry) Supervision Act (1993(Cth) (SIS Act).

(c) Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Receivables and payables

All receivables, unless otherwise stated, are non-interest bearing, unsecured and generally received within 30 days of recognition.

Payables include liabilities and accrued expenses owing by the Company which are unpaid as at the end of the reporting period.

All payables, unless otherwise stated, are non-interest bearing, unsecured and generally paid within 30 days of recognition.

(e) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate. There were no changes in deferred liabilities and deferred assets attributable to temporary differences for the reporting period.

2. TRUSTEE LIABILITIES AND RIGHT OF INDEMNITY

The Company acts solely as Trustee of the Fund. These financial statements have been prepared for the Trustee Company (H.E.S.T. Australia Ltd) and as such do not record assets and liabilities of the Fund as the Trustee will only be liable for obligations of the Fund if it has committed a breach of its fiduciary duties or to the extent that the Fund has insufficient assets to settle its obligations. At balance date, the assets of the Fund are sufficient to meet its liabilities, and there has been no breach of fiduciary duties of the Company in its capacity as Trustee.

The Net Asset position of HESTA (the Fund) at the end of the financial year was \$404,395,000 (2022: \$205,277,000).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

3. CASH AND CASH EQUIVALENTS

(a) Components of cash and cash equivalents	Jun-23	Jun-22
	\$	\$
Cash at bank	14,282,619	7,194,489
Total cash and cash equivalents	<u>14,282,619</u>	<u>7,194,489</u>

(b) Reconciliation of profit/(loss) after income tax for the year to net cash inflow/(outflow) from operating activities

	Jun-23	Jun-22
	\$	\$
Profit/(loss) after income tax for the year	6,201,173	5,395,867
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	-	-
(Increase)/decrease in current tax assets	-	-
Increase/(decrease) in payables	1,077,114	-
Increase/(decrease) in current tax liabilities	(190,157)	1,798,622
Net cash inflow/ (outflow) from operating activities	<u>7,088,130</u>	<u>7,194,489</u>

4. RECEIVABLES

	Jun-23	Jun-22
	\$	\$
GST receivable	12,081	42,393
Prepayments	-	959,955
Trustee service fee receivable	12,741	-
Total receivables	<u>24,822</u>	<u>1,002,349</u>

5. PAYABLES

	Jun-23	Jun-22
	\$	\$
GST payable	849,928	81,907
Accrued expenses	252,008	211,965
Amount owing to the Fund	-	708,476
Total payables	<u>1,101,936</u>	<u>1,002,349</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

6. INCOME TAX

	Jun-23	Jun-22
	\$	\$
(a) Major components of Income tax expense/ (benefit) are:		
Income statement		
<i>Current income tax expenses/(benefit)</i>	2,067,290	1,798,622
Current tax on profits for the period ended		
Adjustments in respect of current income tax of previous periods	695	-
 <i>Deferred income tax expense/(benefit)</i>		
Relating to origination and reversal of temporary differences	-	-
 Total income tax expense/ (benefit) as reported in the comprehensive income statement	2,067,985	1,798,622

(b) Reconciliation between income tax expenses/ (benefit) and the accounting profit before income tax

	Jun-23	Jun-22
	\$	\$
Profit/(loss) before income tax for the period	8,269,158	7,194,489
Income tax at 25%	2,067,290	1,798,622
Non-deductible expenses	-	-
Non assessable income	-	-
Under/(over) provision in the previous period	695	-
	2,067,985	1,798,622

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NOTES TO THE FINANCIAL STATEMENTS
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7. TRUSTEE CAPITAL RESERVE

	Jun-23	Jun-22
	\$	\$
Opening balance as at 1 July 2022	5,395,867	-
Net transfers to/from reserves	8,800,000	7,900,000
Net allocations to/from Comprehensive Income Statement	<u>(2,598,827)</u>	<u>(2,504,133)</u>
Closing balance as at 30 June 2023	<u>11,597,040</u>	<u>5,395,867</u>

The Trustee Capital Reserve (TCR) represents the balance of funds held by H.E.S.T. Australia Limited (the Company) as capital on its own account to address the risks associated with its role as trustee of the Health Employees Superannuation Trust Australia (Trust).

On the 27th April 2023, \$8,800,000 was paid from the Fund Development Reserve to the Trustee Capital Reserve.

The TCR will be funded by a Trustee Fee payable by the Fund to the Company in its personal capacity.

8. MEMBERS' GUARANTEE

H.E.S.T. Australia Ltd was incorporated as a company limited by guarantee. In accordance with the Company's Memorandum of Association each member of the Company undertakes to contribute to the property of the Company in the event of it being wound up while that member is a member or within one year after that member ceases to be a member for payment of the debts and liabilities of the Company contracted before that member ceases to be a member and the costs, charges and expenses of winding up and for adjustment of the rights of the contributories among themselves such amount as may be required not exceeding one dollar.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

9. KEY MANAGEMENT PERSONNEL

(a) Key Management Personnel

Directors

The names of the Directors in office during the financial year and up to the date of this report are:

N. Roxon (Independent Chair) (appointed 01/01/2019)	
S. Dahn (Independent Director & Chair of Investment Committee) (appointed 01/07/2023)	
M. Burgess (Independent Director & Chair of Investment Committee) (ceased 27/06/2023)	
Employer Appointed	Employee Appointed
D. Cole * (Deputy Chair) (appointed 01/01/2015)	H. Gibbons (Deputy Chair) (appointed 04/02/2016)
S. Cornelissen* (ceased 10/10/2022)	K. Marshall* (appointed 01/01/2022)
C. Smith* (appointed 25/09/2015)	B. Holmes* (appointed 15/09/2021)
A. Morrison (appointed 01/03/2021)	E. Gaske (appointed 12/02/2020)
G. Humphrys (appointed 18/05/2015)	L. Sharp* (appointed 01/07/2018)
S. Cooke (ceased 30/06/2023)	B. Davison (appointed 15/09/2021)
J. Bennett (appointed 01/01/2023)	
E. Maiden (appointed 20/07/2023)	

*Members of HESTA the Fund

In addition to the above named Directors of the Fund Trustee, the following individuals were also key Management personnel of the Fund during the year:

Executive Team	Position Held
D. Blakey *	Chief Executive Officer
L. Samuels*	Chief Experience Officer
S. Reilly*	Chief Operating Officer
J. Parisotto*	Chief Member Engagement Officer
A. Major*	Chief Risk Officer (formerly Chief Risk and Compliance Officer)
S. Sawtell-Rickson*	Chief Investment Officer
S. Collins	Chief Financial Officer
S. Harris*	Chief Growth Officer

*Certain Directors and Executives are members of the Fund. Their membership terms and conditions are the same as those available to other members of the Fund.

(b) Key Management Personnel Compensation

During the year the Board of Directors agreed to pay fees or remuneration to:

- (a) Individual Directors; or
- (b) Where requested by the Director, the organisation employing the relevant Director (such payments recognise that the organisation has allowed their employee paid time to contribute to the operation of the Fund); and
- (c) Executive Personnel

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

9. KEY MANAGEMENT PERSONNEL (continued)

(b) Key Management Personnel Compensation (continued)

Total remuneration received by Directors and Executives as at the reporting date was:

	Jun-23	Jun-22
	\$	\$
Short-term benefits	6,977,315	6,188,799
Post-employment benefits	329,543	327,293
Other long term benefits	-	695,237
	7,306,858	7,211,329

Total remuneration receivable by Directors and Executives as at the reporting date was:

Short-term benefits	375,170	-
Post-employment benefits	-	-
Other long term benefits	1,524,307	833,599
	1,899,477	833,599
Total	9,206,335	8,044,928

Total remuneration received and receivable by Directors and/or relevant organisations during the year was:

Director	2023	2022	Remuneration Paid / Payable to
	\$	\$	
N. Roxon (Independent Chair) (appointed 01/01/2019)	203,873	202,950	Self
M. Burgess (ceased 27/06/2023)	166,584	165,831	Self
D. Cole (appointed 01/01/2015)	101,568	91,167	Self
H. Gibbons (appointed 04/02/2016)	108,673	89,027	United Workers Union
G. Humphrys (appointed 18/05/2015)	89,235	80,125	Self
C. Smith (appointed 25/09/2015)	76,220	69,113	Self
S. Cooke (ceased 30/06/2023)	70,748	66,277	Self
L. Sharp (appointed 01/07/2018)	70,748	60,990	Australian Nursing and Midwifery
E. Gaske (appointed 12/02/2020)	76,220	58,100	Australian Services Union
A. Morrison (appointed 01/03/2021)	76,220	67,460	Self
B. Holmes (appointed 15/09/2021)	14,850	46,525	NSW Nurses and Midwives
B. Holmes (appointed 15/09/2021)	48,794	-	Self
B. Davison (appointed 15/09/2021)	63,644	46,525	Self
K. Marshall (appointed 01/01/2022)	63,644	28,397	Health and Community Services Union Victoria No.2 Branch
S. Cornelissen (ceased 10/10/2022)	13,283	18,318	Self
J. Bennett (appointed 01/01/2023)	26,177	-	Self
K. Zimmermann (ceased 31/12/2021)	-	36,715	Self
L. Williams (ceased 31/12/2021)	-	36,459	Health Services Union
A. Claude (ceased 16/07/2021)	-	3,098	Australian Nursing and Midwifery Federation (NSW Branch)
S. Ismail (ceased 23/08/2021)	-	9,463	Australian Council of Trade Unions
Total	1,270,481	1,176,540	

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NOTES TO THE FINANCIAL STATEMENTS
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9. KEY MANAGEMENT PERSONNEL (continued)

(b) Key Management Personnel Compensation (continued)

The above remuneration received/receivable by Directors and/or relevant organisations during the year includes superannuation. The remuneration paid to an organisation is after relevant superannuation is deducted and paid/payable to the relevant superannuation fund.

For the year ended 30 June 2023, Directors' remuneration was paid by the Trustee and re-charged to the Fund.

Total remuneration received and receivable by Executives during the year was:

Compensation Band	Number of Executives in Band	
	FY 2023	FY 2022
\$100,001 - \$200,000	0	1
\$300,001 - \$400,000	0	1
\$400,001 - \$500,000	0	5
\$500,001 - \$600,000	3	2
\$600,001 - \$700,000	2	0
\$700,001 - \$800,000	1	0
\$900,001 - \$1,000,000	0	1
\$1,000,001-\$1,100,000	1	0
\$1,100,001-\$1,200,000	1	1

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NOTES TO THE FINANCIAL STATEMENTS
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10. RELATED PARTIES

(a) Related Party Investments and Transactions

The Company, as Trustee of the Fund, has disclosed below the related parties of the Fund.

A 31% (2022: 31%) shareholding of ordinary shares valued at \$1,599,600 (2022: \$2,038,793) in Frontier Advisors Pty Ltd.

Frontier receives fees from the Fund for investment consulting services. These fees were \$1,362,577 (2022: \$2,270,335).

Ms D. Cole is a director of Frontier Advisors Pty Ltd and received fees of \$16,434 for the year ended 30 June 2023 (2022: \$16,104).

(b) Other Shareholdings and Transactions

As at 30 June 2023 the Fund had:

Industry Super Holdings Pty Ltd

A 18.90% (2022: 18.82%) shareholding in Industry Super Holdings Pty Ltd (ISH) valued at \$307,053,719 (2022: \$276,309,410).

IFM Investors Pty Ltd is a subsidiary of ISH and manages investments totalling \$14,468,729,889 (2022: \$13,587,830,023) on behalf of the Fund.

ISH has other subsidiaries with which the Fund transacts. Industry Super Australia Pty Ltd (ISA) provides marketing, advocacy, policy development and research services to the Fund. The New Daily Pty Ltd is also a subsidiary of ISH and provides online news.

ISPT Pty Ltd

A 8.0% (2022: 4.0%) shareholding in ISPT Pty Ltd valued at \$2 (2022: \$1) and a 14.6% (2022: 14.2%) unitholding in the ISPT Operations Trust valued at \$1,324,471 (2022: \$1,227,192).

ISPT Pty Ltd in its capacity as trustee and ISPT Operations Pty Ltd in its capacity as service entity, managed investments totalling \$2,444,383,574 (2022: \$2,507,444,946) on behalf of the Fund.

HESTA has a Director appointment on the ISPT Board.

During the financial year ended 30 June 2023, ISPT and IFM Investors advised that they have entered discussions to explore a potential merger of the two entities.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

10. RELATED PARTIES (continued)

(b) Other Shareholdings and Transactions (continued)

The Fund has the following significant investments:

Investment	Equity holding	
	2023	2022
	%	%
Land Services WA	15.00	15.00
Utilities Trust Australia (UTA)	7.14	6.58
Super Housing Partnerships (SHP)	-	-

These investments are included in the relevant investment categories in the statement of financial position.

For Land Services WA, HESTA had representation on the board of directors as at 30 June 2023.

For Utilities Trust Australia (UTA), HESTA had a representative on the board of directors of the trustee of UTA, being Utilities of Australia Pty Ltd, as at 30 June 2023.

For Super Housing Partnerships (SHP), HESTA has an option to acquire up to 20% of SHP with the option exercisable. HESTA has appointed two representatives to the SHP Advisory Committee as at 30 June 2023, which among other things provides advice to the Board.

During the financial year ended 30 June 2023, the following Directors and Executives also held other roles relevant to Related Parties:

Director / Executives (Positions held)	Other Shareholdings and transaction
D. Blakey (Chief Executive Officer)	<ul style="list-style-type: none"> • Member of the ISA Advisory Council • Alternative member of the IFM Investors Shareholder Advisory Board
N. Roxon (Independent Chair)	<ul style="list-style-type: none"> • Member of the ISA Advisory Council
D. Cole (Deputy Chair)	<ul style="list-style-type: none"> • Director of Frontier Advisors Pty Ltd
H. Gibbons (Deputy Chair)	<ul style="list-style-type: none"> • Member of the IFM Investors Shareholder Advisory Board
S. Sawtell-Rickson (Chief Investment Officer)	<ul style="list-style-type: none"> • Member of the IFM Investors Shareholder Advisory Board
L. Samuels (Chief Experience Officer)	<ul style="list-style-type: none"> • Director of Industry Super Australia (ISA)
M. Burgess (Independent Director & Chair of Investment Committee)	<ul style="list-style-type: none"> • Director of ISPT Pty Ltd and ISPT Operations Pty Ltd ceasing on 30 June 2023
C. Smith (Director)	<ul style="list-style-type: none"> • Director of Utilities of Australia Pty Ltd

All transactions noted in 10 (a) and (b) were made on normal commercial terms, under normal conditions and at market rates. Transactions relating to dividends, investment income and subscription for new ordinary shares were on the same terms and conditions that applied to other shareholders.

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11. AUDITORS' REMUNERATION

The Company's auditor is PricewaterhouseCoopers.

The following remuneration was paid or is payable to the auditor firm in relation to the Company:

	Jun-23	Jun-22
	\$	\$
Audit of Financial Statements	16,500	16,500
Regulatory related assurance services	7,057	7,057
	<u>23,557</u>	<u>23,557</u>

For the reporting period ended 30 June 2023, Auditors' remuneration was paid by the Fund, on behalf of the Company.

12. SIGNIFICANT EVENTS AFTER BALANCE DATE

During the year, the Trustee on behalf of HESTA (the fund) entered into an agreement for administration services with Grow Super Ops Pty Ltd ('GROW'), and subject to the agreement, will transition all of its outsourced administration services to GROW towards the end of 2024 calendar year.

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DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 11 to 25 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards and other mandatory professional reporting requirements and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the Directors.



.....
Director



.....
Director

Dated this 26th day of September 2023.



Independent auditor's report

To the members of H.E.S.T. Australia Ltd

Our opinion

In our opinion:

The accompanying financial report of H.E.S.T. Australia Ltd (the Trust) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Trust's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

Liability limited by a scheme approved under Professional Standards Legislation.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustee for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the trustee determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

A stylized, handwritten signature of the PricewaterhouseCoopers firm, written in black ink.

PricewaterhouseCoopers

A handwritten signature of Nicole Osborne, written in black ink.

Nicole Osborne
Partner

Melbourne
26 September 2023