VALUE ACCOUNTS Superannuation Funds

Annual financial reporting

2020

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This illustrative publication presents the sample annual financial report of a fictitious superannuation fund, VALUE ACCOUNTS Superannuation Fund. It illustrates the financial reporting requirements that would apply to such funds under Australian Accounting Standards on issue at 31 January 2020. Supporting commentary is also provided. For the purposes of this publication, VALUE ACCOUNTS Superannuation Fund is overseen by the Registerable Superannuation Entity (RSE) Licensee.

The reporting requirements that apply to the VALUE ACCOUNTS Superannuation Fund include:

- Australian Accounting Standards
- Interpretations issued by the Australian Accounting Standards Board (AASB) and the Urgent Issues Group (UIG)
- Corporations Act 2001
- Australian Securities & Investments Commission releases
- *Superannuation Industry (Supervision) Act 1993 (SIS Act)* and Regulations

VALUE ACCOUNTS Superannuation Fund 2020 is for illustrative purposes and should be used in conjunction with the relevant legislation, standards and other reporting pronouncements.

Foreword

Welcome to the 2020 edition of the Superannuation Fund financial reporting publication in our VALUE ACCOUNTS series.

This publication is designed to help you prepare financial statements for superannuation funds in line with Australian Accounting Standards. It illustrates the major elements of the financial statements and provides commentary on important items and required disclosures.

The fictitious circumstances of this scenario have been chosen to illustrate the most common and significant accounting matters and associated disclosures under Australian Accounting Standards, and in particular, the requirements of AASB 1056 *Superannuation Entities* (AASB 1056). The publication should be read in conjunction with the VALUE ACCOUNTS Investment Fund 2020 publication.

We have included a summary of other recent developments including: The coronavirus (COVID-19) – Accounting Implications, Regulatory Guide 97 Disclosing fees and costs in Product Disclosure Statements (PDS) and periodic statements, Design and Distribution Obligations, The Financial Accountability Regime (FAR), APRA Prudential Standards – Recent developments, Internal Dispute Resolution, Environmental, Social and Governance (ESG), Uncertainty over Income Tax Treatments – AASB Interpretation 23, and ASIC Areas of Focus. These are summarised in the 'Other topical issues' section which begins on page 3.

Given current economic conditions and the increasing trend towards holding more complex and illiquid investments, often referred to as 'Level 3' investments, we have also included 'Appendix B – Complex Investments – Illustrative liquidity risk, valuations and unobservable input disclosures' for further reference.

I trust this publication will help you work through the upcoming reporting season with success.

Craig Cummins
Superannuation, Asset and Wealth Management Leader
PwC

27 May 2020

VALUE ACCOUNTS – Superannuation Fund

Annual financial reporting 2020

Introduction

This publication presents illustrative general purpose financial statements (GPFS) of a fictitious superannuation fund, VALUE ACCOUNTS Superannuation Fund. The financial statements comply with the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and authoritative pronouncements on issue at 31 January 2020 that are operative for periods commencing from 1 July 2020.

The purpose of this publication is to highlight disclosure requirements and provide sample disclosures required by AASB 1056. The disclosures should be adapted to particular situations as required. Alternative disclosures, wording and forms of presentation may be used as long as they include the specific disclosures prescribed in the accounting and reporting pronouncements.

Please note that the amounts disclosed in this publication are purely for illustrative purposes and may not necessarily be consistent throughout the publication.

These example financial statements are not intended to illustrate all potential situations and related disclosures. For example, the disclosures presented in accordance with AASB 7 *Financial Instruments: Disclosures* reflect the particular circumstances of VALUE ACCOUNTS Superannuation Fund. Accordingly, the disclosures will need to be tailored to suit the particular facts and circumstances of each superannuation fund.

The commentary provided in this publication focuses on the disclosure requirements of AASB 1056. For guidance related to the preparation of financial statements more generally and disclosures required by standards other than AASB 1056, please refer to our VALUE ACCOUNTS Investment Funds publication. The source for each disclosure requirement is given in the reference column.

VALUE ACCOUNTS structure and materiality

The structure used in our VALUE ACCOUNTS Superannuation Funds publication provides practical solutions that will help make financial reports less complex and more accessible. The structure used will provide you with possible ideas, but there's no 'one size fits all' approach. We recommend Superannuation Trustees engage with the stakeholders who use your financial reports to determine what's most relevant to them.

Our VALUE ACCOUNTS Superannuation Funds publication is a reference tool, so we've included illustrative disclosures for as many common scenarios as possible rather than removing disclosures based on materiality. However, too much immaterial information can obscure the information that is actually useful to readers. We encourage users of the publication to consider carefully what to include and exclude, based on what is relevant to assisting investors' decision making.

New disclosures illustrated this year

As the adoption of AASB 16 *Leases* does not have an impact on the Fund's accounting policies or the amounts recognised in the financial statements, there are no new accounting pronouncements that require new disclosures in the current year. For further information on AASB 16, refer to VALUE ACCOUNTS Holdings Limited Annual financial reporting December 2019 publication.

There is an increasing number of level 3 investments being held by funds and given the increase in liquidity and valuation risks as a result of COVID 19 and the measures put in place to contain it, we have included a more extensive example in Appendix B of the disclosures relating to liquidity risk, valuations and unobservable input disclsoures for Level 3 investments.

Feedback

We welcome your feedback on the VALUE ACCOUNTS Superannuation Funds format and content. Please contact us at IFRS Communications or speak to your usual PwC representative to let us know your thoughts.

Assumptions

The following assumptions have been made in preparing the financial statements for the VALUE ACCOUNTS Superannuation Fund (the Fund):

- This is a hybrid fund with both defined contribution and defined benefit members.
- The Fund has two defined benefit sub-plans. One sub-plan is in a satisfactory position and the other sub-plan is in deficit.
- With regards to the insurance arrangements for members, the Fund does not act in the capacity of an insurer. The additional requirements for funds acting as an insurer are illustrated in Appendix A.
- Administration fees are deducted from member accounts.
- In order to help explain the risks to which the different categories of members are exposed, the Trustee has disaggregated financial information in respect of defined contribution and defined benefit member balances.

- For the purposes of meeting the requirements of *Superannuation Prudential Standard (SPS) 114 Operational Risk Financial Requirement*, the ORFR target level is 25 basis points of net assets and is fully funded.
- The Fund does not have any investments that are controlled entities.

As required under Australian Accounting Standards, the impact of standards and interpretations that have not been early adopted and that are expected to have a material effect on the Fund are disclosed within the accounting policy note.

Other topical issues

The coronavirus (COVID-19) – Accounting Implications

The coronavirus (COVID-19) outbreak has developed rapidly in 2020, with devastating consequences for communities across the globe. Measures taken to contain COVID-19 have affected economic activity, which in turn has implications for financial reporting. While we realise financial reporting is of course lower down the priority list during this period of unprecedented change, we've looked at the impact of COVID-19 on the financial statements of funds and wanted to emphasis the below areas for careful consideration:

Fair value measurement (AASB 13)

The fair value of an asset or liability at the reporting date should be determined in accordance with the applicable AASB standards. When fair value is based on an observable market price, the quoted price at the reporting date should be used. The fair value of an asset reflects a hypothetical exit transaction at the reporting date. Changes in market prices after the reporting date are therefore not reflected in asset valuation.

Going concern

Management should consider the potential implications of COVID-19 and the measures taken to control it when assessing the entity's ability to continue as a going concern. An entity is no longer a going concern if management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. Management should consider the impact of measures taken by governments and banks in its assessment of going concern. Management should also remember that events after the reporting date that indicate an entity is no longer a going concern are always adjusting events.

Financial Statement Disclosures

Management should consider the specific requirements in AASB 101 to disclose significant accounting policies, the most significant judgements made in applying those accounting policies and the estimates that are most likely to result in an adjustment to profits in future periods. All of these disclosures might be different as a result of the impact of COVID-19. The extent of disclosures regarding estimation uncertainty might need to be increased.

Entities will need to disclose any changes in their financial risks – such as credit risk, liquidity risk, currency risk and other price risk – or in their objectives, policies and processes for managing those risks. In particular, additional disclosures about liquidity risk might be needed where COVID-19 has affected a fund's normal levels of cash inflows from operations or its ability to access cash in other ways, to pay members' benefits.

Further information

The majority of the items noted above and further items included in the document linked below focuses on the adjusting events to financial reports for years ended after 31 December 2019. There are broad implications including: the ability to forecast cash flows and the related going concern assessment; debt covenants; hedging and financing; impairment of assets; onerous contracts; and recognition of revenues. Refer to the document below for complete listing of the areas potentially effected by COVID-19: *https://www.pwc.com.au/assurance/ifrs/assets/straight-away-alert-20200323.pdf*

Regulatory Guide 97 Disclosing fees and costs in Product Disclosure Statements (PDS) and periodic statements
On 29 November 2019 ASIC released its long-awaited updated guidance on fees and cost disclosure for issuers of superannuation and managed investment products with the revised Regulatory Guide 97 Disclosure of fees and costs in PDSs and periodic statements (RG97). The purpose of RG97 is to drive greater transparency and consistency in fees and cost disclosures.

The key changes to RG97 are:

1. Simplification of disclosure of Fees and costs in PDS
2. Simplification of ongoing fees and costs
3. Disclosure of a single 'Cost of Product' figure in a PDS
4. Simplification of fee and costs disclosure in periodic statements
5. Clarification on costs categories to be included in the disclosed costs
6. Exclusion of property operating costs, borrowing costs and implicit transaction costs from PDSs and periodic statements
7. Performance fees to be calculated by reference to the average of each of the previous five financial years instead of one year
8. Separate requirements for superannuation and managed investment products fee disclosure

For further information refer to: https://www.pwc.com.au/asset-management/revised-rg97-pwc-summary-of-key-changes-final-10dec19.pdf

Design and Distribution Obligations

The design and distribution obligations (DDO) will create a fundamental shift in how products are distributed to retail consumers in the Australian market.

The DDO require issuers of retail financial products to:

- Make a target market determination (TMD) for each retail product, including review triggers that would suggest the TMD is no longer appropriate
- Take steps that are reasonably likely to result in distribution consistent with the determination
- Notify ASIC of significant dealings that are inconsistent with the TMD
- Maintain information relating to the TMD and distribution of the product and provide to ASIC on request.

Distributors may only distribute products which have a target market determination that remains appropriate.

As ASIC guidance has yet to be issued, DDO implementation needs to be flexible and dynamic to respond to emerging interpretation and guidance by both industry and ASIC. However, a clear plan needs to be developed on how adherence with the legislation will be achieved by ASIC's deferred commencement date of 5 October 2021.

DDO creates a number of imperatives for financial services firms

In the post-Royal Commission environment, with increasing scrutiny on customer fairness and heightened community expectations, it is important for organisations to aim higher than mere compliance.

We believe organisations have an opportunity to derive value from DDO implementation beyond compliance, such as delivery of customer strategy and product simplification. To do this, the development of the DDO framework should be a purpose-driven exercise as opposed to a compliance-led response. DDO is not just a matter for regulatory specialists, but requires collaboration between regulatory, product, customer, legal, technology, and marketing. In order to prepare for the obligations, financial services firms should ensure:

- Product design meets all relevant considerations for target customers
- An increase in distribution controls to make certain target customer needs are consistently met
- Firms work with their distribution channels to ensure distributors can understand and help discharge the obligations
- Implementation readiness including clarity of accountabilities, technology and process changes, front line staff readiness and skills, cultural change and so on
- Focus on governance and culture to ensure that the DDO implementation is sustainable.

We have seen differing levels of progress by sector. Though October 2021 appears a long way away, we recommend organisations lift the priority of DDO to understand the opportunities for gaining value beyond compliance, as well as identifying implementation issues that may take some time to address. Our experience with similar legislation in the UK was that some products had to be withdrawn from platforms at the last minute because the work had not been completed to achieve compliance.

For further information refer to: https://www.pwc.com.au/financial-services/design-and-distribution-obligations.html

The Financial Accountability Regime (FAR)

On 22 January 2020 Treasury released a consultation paper setting out the Government's proposed model to extend the Banking Executive Accountability Regime (BEAR) to all APRA regulated entities – the Financial Accountability Regime (FAR). This is in response to the Government's commitment to implement recommendations 3.9, 4.12, 6.6, 6.7 and 6.8 of the Financial Services Royal Commission.

The consultation sets out the proposed principles, which largely mirror the BEAR. In terms of next steps, the Government will:

- seek submissions and conduct industry roundtables on the consultation, by 14 February 2020,
- introduce legislation by the end of 2020 (no effective date specified), and
- separately consult on extending the regime to entities solely regulated by ASIC, in line with the further commitment the Government made in response to the Royal Commission.

Similar to the BEAR, the FAR will impose the following:

- accountability obligations;

- key personnel obligations;
- accountability map and accountability statement obligations;
- notification obligations; and
- deferred remuneration obligations.

Beyond all Authorised Deposit-taking Institutions (ADIs) that are subject to the BEAR, the FAR will be extended to all other APRA regulated entities:

- all general and life insurance licensees;
- all private health insurance licensees;
- all RSE licensees; and
- licensed non-operating holding companies.

For further information please refer to: https://www.pwc.com.au/financial-services/pdf/proposed-far-pwc-summary-29jan20.pdf

APRA Prudential Standards – Recent developments

Prudential Standard SPS 515 – Strategic Planning and Member Outcomes (SPS 515)

Under SPS 515, trustees will have to demonstrate that their strategic planning processes meet APRA's principles and undertake an annual assessment of outcomes delivered to members. This will require the trustees to show how they have 'members in the room' when making decisions affecting member outcomes. Importantly, this is not a 'set and forget' exercise, these requirements focus on identifying and implementing opportunities to continuously improve outcomes to members as much as the assessment itself.

APRA has confirmed that it will continue to embed its strengthened focus on member outcomes as the centrepiece of its supervisory approach in superannuation as part of its response to the recent Capability Review of APRA.[1]

Specifically, APRA will build on work over recent years, including the release of SPS 515 and the evolving implementation of the legislative outcomes test (discussed below). It will prioritise performance benchmarking and data collection and review the supervisory model applying to trustees, including a revised PAIRS (Probability and Impact Rating System) model by mid-2020.

APRA has also made clear that it will publicly name underperforming funds on an 'outlier' list across the following four key metrics: net investment performance; fees and costs; insurance; and scale and sustainability. It is therefore incumbent on trustees to use the opportunity afforded by SPS 515 to proactively identify and address any barriers to lifting its performance.

The duty to act in the best interests of members has long sat at the heart of trustee requirements and is well known by all participating in the industry. It is in this context that APRA has made clear that the member outcomes reforms should not be treated as a new set of compliance obligations.

Instead, the focus on member outcomes in SPS 515 and the associated guidance is designed to ensure that RSE licensees are equipped to respond to strategic challenges, and soundly and prudently manage their business operations while improving their superannuation products and options, performance and outcomes for all members. This new standard supports APRA's shift in regulatory philosophy for trustees, from being compliance-focused to a principles-based, outcomes oriented approach.

SPS 515 is an opportunity for trustees to critically assess their strategic and business planning processes to identify what is working well and what might require enhancement.

[1] Refer to https://www.apra.gov.au/media-centre/media-releases/apra-welcomes-capability-review-report-and-outlines-action-plan (accessed 22 July 2019)

Legislative outcomes tests

On 5 April 2019, the Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation) Act 2019 became law, creating new obligations on trustees to undertake an outcomes assessment of each MySuper product and each choice product on an annual basis to demonstrate how each product continues to promote the financial interests of members (refer to s. 52(9) of the Superannuation Industry (Supervision) Act 1993).

Under these new requirements, trustees will now have to:

- Compare each of their MySuper and choice products against the required benchmarks and other products; and
- Assess whether the product promotes the financial interests of members, with reference to investments, insurance and product offerings.

APRA has indicated that trustees should undertake their legislated outcomes assessment with reference to 30 June of the previous year and use APRA's fund-level publications to undertake key comparative analysis. As a result, APRA expects that trustees will undertake their legislated outcomes assessment two months after APRA's data publication i.e. February each year.

The assessment must be published on the fund's website within 28 days of the assessment being completed.

There remain gaps in the legislative framework, and APRA is yet to finalise guidance to support compliance with both SPS 515 (including the new Business Performance Review requirement) and the legislative tests, so approaches are expected to evolve over the coming 12-18 month.

Prudential Standard CPS 234 – Information Security (CPS 234)

APRA finalised the Prudential Standard CPS 234 – Information Security (CPS 234) aimed at combating threat of cyber-attacks. The final version of the prudential standard has been released by APRA, focusing on information security management.

This standard commences on 1 July 2019; however, where an APRA-regulated entity's information assets are managed by a third party, these requirements will apply from the earlier of the next renewal date of the contract with the third party or 1 July 2020.

CPS 234 requires APRA-regulated entities to:

- Define information-security related roles and responsibilities clearly;
- Maintain an information security capability in accordance with the size and extent of threats to their information assets;
- Implement controls to protect information assets and undertake regular systematic testing and assurance of the effectiveness of controls; and
- Promptly notify APRA of material information security incidents.

Internal Dispute Resolution

In response to the findings of the Royal Commission and other reviews, ASIC opened a consultation on the proposed updates to Regulatory Guide 165: Internal Dispute Resolution (RG 165). The proposed new requirements include widening the definition of complaints, including expressions of dissatisfaction on social media, consideration of members' satisfaction and a reduction in response timeframes. The aim of these changes is to lift complaints handling performance of organisations and ultimately improve consumer outcomes.

The proposed new requirements include:

- Expansion of IDR requirements to superannuation trustees: Trustees of APRA regulated superannuation funds will be subject to the new RG 165 except for SMSFs, trustees of approved deposit funds and RSA providers.
- Improve IDR responses and consideration of customer satisfaction: IDR responses should have a sufficient level of detail for the complexity of the complaint and extent of the investigation conducted. Complaints should not be closed without the organisation assessing the complainant's satisfaction with the actions taken.
- Increased Board and Management accountability and focus on customer complaints: Boards and management must set accountabilities for complaints handling, including processes for identifying systemic issues. Reports to Board and executive committees must include analysis of consumer complaints and systemic issues.
- New definition of a complaint: Organisations must capture all expressions of dissatisfaction which meet ASIC's new definition of a complaint. This includes complaints made to organisations via their own social media and all complaints that are resolved immediately.
- Reduction of IDR response times: For superannuation and trustee complaints, reduction of the maximum IDR response time from 90 days to 45 days. For all other complaints (excluding specified credit complaints), reduction of the maximum IDR response timeframe from 45 days to 30 days.
- IDR Data Reporting Regime: Organisations will be required to report all IDR data to ASIC on a 6 monthly basis, at an individual complaint level. ASIC have proposed an extensive list of the data to be reported for each and every complaint. ASIC will open consultation later in the year regarding the publication of IDR data both at an industry and organisation level.

ASIC sought public input on the consultation and draft updated RG 165. In late 2019, ASIC indicated that all companies, regardless of size, will be required to comply with all of the new changes outlined in the regulatory guide. RG 165 will, in future, be an 'approved' ASIC standard, therefore enforceable as part of AFSL and Australian Consumer Law conditions. If obligations that are considered 'core' are breached, this will likely be a civil penalty breach. ASIC has yet to issue the final RG 165.

Environmental, Social and Governance (ESG)

The effects of climate change and other ESG related emerging risks extend to all sectors of the economy. Those effects are being transmitted directly as well as indirectly, through changing policies, technological developments, investment and consumer preferences. How these risks are assessed, managed and disclosed will continue to be an area of focus for both regulators and investors across the globe.

AASB – Financial Statement Considerations

In April 2019, the AASB released disclosure guidance (*Climate related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2*) on how climate related risks and other emerging risks should be considered by financial statement preparers.

The AASB notes how qualitative external factors such as the industry in which the entity operates, and investor expectations may make such risks 'material' and warrant disclosures when preparing financial statements, regardless of their numerical impact.

The AASB recommends entities preparing financial statements in accordance with Australian Accounting Standards should consider:

- whether investors could reasonably expect that emerging risks, including climate-related risks, could affect the amounts and disclosures reported in the financial statements and have indicated the importance of such information to their decision making; and
- what disclosures about the impact of climate-related risks and other emerging risks on the assumptions made in preparing the financial statements are material to the financial statements in light of the guidance in APS/PS 2.

For further information please refer to:
https://www.aasb.gov.au/admin/file/content102/c3/AASB_AUASB_Joint_Bulletin_Finished.pdf

APRA – SPG 530 Investment Governance

APRA intends to update Prudential Practice Guide SPG 530 Investment Governance (SPG 530) to include environmental, social and governance (ESG) considerations. Though this guidance will provide insights into better practice, entities should be proactive in taking steps to assess and mitigate climate change financial risks now, and not delay action until further guidance from APRA is released.

For further information please refer to: https://www.apra.gov.au/understanding-and-managing-financial-risks-of-climate-change

World Economic Forum International Business Council

The members of the World Economic Forum International Business Council (IBC), comprising approximately 120 large multinational firms, have highlighted the importance of consistent and transparent reporting on both financial and non-financial risks and opportunities to their businesses. At the behest of the IBC's members, the Forum has partnered with the Big Four accounting firms to identify a common, core set of ESG metrics and recommended disclosures for all entities to report on, across sectors and geographies. The objective would be for entities to report on these metrics in their mainstream disclosures to provide a more accurate representation of an entity's performance, risk management capabilities and ability to generate long-term value for all stakeholders.

For further information please refer to: http://www.wlrk.com/docs/WEF_IBC_ESG_Metrics_Discussion_Paper.pdf

Uncertainty over Income Tax Treatments – AASB Interpretation 23

Effective for annual periods beginning on or after 1 January 2019, AASB Interpretation 23 clarifies how the recognition and measurement requirements of AASB 112 *Income taxes*, are applied where there is uncertainty over income tax treatments.

AASB Interpretation 23 addresses:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in fact and circumstances.

AASB Interpretation 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously AASB 112 was silent. For example, the Interpretation specifies how to determine the unit of account and the recognition and measurement guidance to be applied to that unit.

Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in AASB 112. These models might, in some circumstances, be inconsistent with AASB Interpretation 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

ASIC Areas of Focus

In December 2019, ASIC released its areas of focus for December 2019 year ends. Many of the areas of focus are consistent with last year. The key topics are new accounting standards, impairment testing and asset values, revenue recognition, expense deferral, off-balance sheet arrangements, tax accounting, operating and financial review, non-IFRS financial information, and estimates and accounting policy judgements.

ASIC Area of Focus	Nature	Impact
New Accounting Standards	December 2019 is the first time that both full-year and half-year reports will be prepared applying the new reporting requirements in AASB 16 *Leases.* ASIC has highlighted a specific impact that the adoption of AASB 16 is expected to have on Australian Financial Services License (AFSL) holders. AFSLs include financial condition requirements, which include requirements regarding the net tangible assets of the license holder. ASIC has recently expressed their view that right-of-use assets are intangible assets and hence would be excluded from net tangible assets, despite the lease liability being included in the calculation.	As noted in the introduction, AASB 16 *Leases* is not expected to have an impact on superannuation fund's financial statements, but the impact on any AFSL holders should be considered by management.
Impairment Testing and Asset Values	ASIC will continue to focus on the recoverability of assets, such as by carefully reviewing the ability of poorly performing businesses to carry significant non-impaired assets at their stated carrying values.	As AASB 1056 requires superannuation funds to hold investments at fair value Trustees should already be assessing the carrying values of assets and ensuring appropriate valuation and disclosure.
Revenue Recognition	Revenue recognition policies should ensure that revenue is recognised in accordance with the substance of the transaction. This includes ensuring that: a) services to which the revenue relates have been performed; b) control of relevant goods has passed to the buyer; c) where revenue relates to both the sale of goods and the provision of related services, revenue is appropriately allocated to the components and recognised accordingly; d) assets are properly classified as financial or non-financial assets; and revenue is recognised on financial instruments on the basis appropriate for the class of instrument.	For superannuation funds, revenue recognition is not likely to be applicable. For Trustees, policies should be reviewed to ensure that revenue is recognised on an appropriate basis.
Expense Deferral	Expenses should only be deferred when there is an asset, as defined by the accounting standards, and it is probable that future economic benefit will arise.	If funds have deferred expenses, a review should be untaken to assess future benefits.
Off Balance Sheet Arrangements	Management should carefully review the treatment of off-balance sheet arrangements and investments in joint arrangements.	Any off balance sheet and structured arrangements which exist should be properly disclosed. For details on structured entities and their impact to funds, refer to Appendix E, page 169, of our 2020 VALUE ACCOUNTS Investment Funds publication.

ASIC Area of Focus	Nature	Impact
Tax accounting	ASIC expects management to have a thorough understanding of the temporary differences recognised, having taken into account the impact of any recent changes in legislation. Specific focus will be given to the recoverability of deferred tax assets.	Trustees should assess the need to involve tax experts to review the fund's current and deferred taxes.
Operating and Financial Review	Listed entities should provide useful and meaningful information in the OFR about underlying drivers of the results and financial position, as well as business strategies and prospects for future financial years. Risks and other matters that may have a material impact on the future financial position or performance of the entity should be disclosed. This could include, for example, matters relating to digital disruption, new technologies, climate change, Brexit or cyber-security. For more information see ASIC Regulatory Guide 247 *Effective disclosure in an operating and financial review*.	No impact on unlisted funds. Refer to RG 247 to ensure appropriate disclosures are included in the Financial Statements of listed entities.
Non-IFRS Financial Information	Directors should also consider whether any non-IFRS financial information in the OFR or other documents outside the financial report is potentially misleading and is presented in accordance with ASIC Regulatory Guide RG 230 Disclosing non-IFRS financial information.	Trustees should assess what information, if any, is considered non-IFRS and determine if this is potentially misleading.
Estimates and Accounting Policy Judgements	Disclosures should be made about significant judgements in applying accounting policies, and any sources of estimation uncertainty that have a significant risk of material adjustment to assets and liabilities.	Notes related to estimates and judgements should be specific to the asset, liability, income or expense and not standard or nonspecific disclosures.

For further information on the ASIC areas of focus refer to: https://www.pwc.com.au/assurance/ifrs/assets/straight-away-alert-20191216.pdf

AASB101(49),(51)(a)

VALUE ACCOUNTS
Superannuation Fund

ABN 43 251 987 634

AASB101(51)(c)

Annual report – 30 June 2020

Financial statements

Accounting standard for financial statements presentation and disclosures

AASB1056(2)

1. AASB 1056 *Superannuation Entities* applies to general purpose financial statements of each superannuation entity that is a reporting entity.

AASB1056(6)

2. Where AASB 1056 is silent on accounting treatment and disclosure, the requirements of other applicable Accounting Standards need to be applied.

AASB1056(8)

3. According to AASB 1056, a superannuation entity shall present:
   (a) a statement of financial position as at the end of the reporting period
   (b) an income statement for the period
   (c) a statement of changes in equity/reserves for the period
   (d) a statement of cash flow for the period
   (e) a statement of changes in member benefits for the period, and
   (f) notes to the financial statements.

AASB101(11)

4. The statements must all be presented with equal prominence.

AASB101(10)

5. The titles of the individual statements are not mandatory and an entity can, for example continue to refer to the statement of financial position as 'balance sheet' and to the income statement as 'profit or loss'. VALUE ACCOUNTS Superannuation Fund has chosen to retain the titles statement of financial position and income statement, as they are in line with AASB 1056.

AASB10(27)
AASB1056(AG51)
AASB12(19A-G)

6. VALUE ACCOUNTS Superannuation Fund does not illustrate consolidated financial statements. Most superannuation Funds would qualify as an 'investment entity' and apply the exception under AASB 10 *Consolidated Financial Statements*. However, where that is the case, additional disclosures will be required under AASB 12 *Disclosure of Interests in Other Entities*. The exception does not apply to subsidiaries that provide services relating to the superannuation entity's investment activities. Such subsidiaries would therefore have to be consolidated

Pooled superannuation trusts (PSTs)

AASB1056(AG1)

7. Whilst PSTs are required to prepare financial statements in accordance with the *SIS Act* and *SIS Regulations*, AASB 1056 does not apply to PSTs. Refer to illustrative disclosures for PSTs in our VALUE ACCOUNTS Investment Funds 2020 publication pages 120 to 137.

AASB 1056(8a)

Statement of financial position [1-15]

		Notes	2020 $'000	2019 $'000
	Assets [1-5]			
AASB101(54)(i)	Cash and cash equivalents	13	**2,896,723**	2,759,958
AASB101(54)(h)	Other receivables		**513,703**	323,380
AASB101(55)	Due from brokers – receivables for securities sold		**1,405,750**	936,390
AASB101(54)(d)	Financial investments [6-7]	4	**14,995,175**	15,219,910
AASB101(54)(o)	Deferred tax assets	11	**26,698**	18,693
	Total assets		**19,838,049**	19,258,331
	Liabilities [1-5]			
AASB101(55)	Due to brokers – payables for securities purchased		**1,979,239**	1,706,551
AASB101(55)	Benefits payable		**588,251**	570,383
AASB101(54)(k),(55)	Other payables		**71,870**	54,274
AASB101(54)(m)	Derivative liabilities [6-7]	4	**2,488,978**	1,828,240
AASB101(54)(n)	Income tax payable		**16,333**	38,950
	Total liabilities excluding member benefits		**5,144,671**	4,198,398
	Net assets available for member benefits		**14,693,378**	15,059,933
AASB1056(14),(32),(AG10)	Defined contribution ('DC') member liabilities [8-12]		**13,466,064**	13,123,035
AASB1056(14),(32),(AG10)	Defined benefit ('DB') member liabilities [8-12]	8	**1,338,687**	1,785,770
	Total net assets (liabilities)		**(111,373)**	151,128
AASB101(54)(r)	**Equity [14-15]**			
	Reserves		**112,506**	78,213
AASB1056(28)	Defined benefits that are over or (under) funded	8	**(239,179)**	61,215
AASB1056(AG8)	Unallocated surplus (deficit)		**15,300**	11,700
	Total equity (deficit)		**(111,373)**	151,128

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

Statement of financial position

Information to be disclosed in the statement of financial position

AASB101(54),(55) AASB1056(6)

1. Disclosure requirements for the statement of financial position are primarily included in AASB 101 *Presentation of Financial Statements*. We have provided commentary explaining these requirements in our VALUE ACCOUNTS Investment Funds publication on pages 32 to 34. Set out below is additional guidance on requirements that are specific to AASB 1056 and superannuation entities.

AASB101(60)

Current/non-current vs liquidity presentation

2. An entity presents current and non-current assets and current and non-current liabilities as separate classifications in its statement of financial position except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities are presented broadly in order of liquidity.

3. A superannuation fund typically groups assets and liabilities by nature and presents them in decreasing order of liquidity, which may equate broadly to their maturities. This presentation is more relevant than distinguishing between current and non-current items as most assets and liabilities can be realised or settled in the near future.

AASB101(61)

4. Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled: (a) no more than twelve months after the reporting period, and (b) more than twelve months after the reporting period.

5. VALUE ACCOUNTS Superannuation Fund expects that all asset and liability amounts will be recovered or settled no more than twelve months after the reporting period, except for financial investments, derivatives and net assets available to member benefits.

   In the case of financial investments, the Fund will manage the portfolio of assets based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at balance date.

Assets and liabilities measured at fair value

AASB1056(13)

6. All recognised assets and liabilities (except member liabilities, tax assets and liabilities, acquired goodwill, insurance assets and liabilities, and employer-sponsor receivables) must be measured at fair value at each reporting date.

AASB1056(AG24)

7. In determining the fair value measurements and accounting for any transaction costs, a superannuation entity applies the relevant principles and requirements in other applicable Australian Accounting Standards, including in particular AASB 13 Fair Value Measurement.

Member liabilities

AASB1056(14)

8. Obligations relating to member entitlements shall be recognised as member liabilities.

AASB1056(15)

9. Member liabilities are measured as the accrued benefits of members. Accrued benefits are the benefits the superannuation entity is presently obliged to transfer to members or their beneficiaries in the future as a result of membership up to the end of the reporting period.

AASB1056(17)

10. Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

Disaggregated financial information

AASB1056(32)

11. A superannuation entity shall disclose disaggregated information when it is necessary to explain the risks and benefit arrangements relating to different categories of members.

AASB1056(AG34)(a)

12. A superannuation entity that has material member liabilities relating to different types of members, such as defined contribution members and defined benefit members, would need to consider separately presenting line items in the statement of financial position for each of the different membership types in respect of member liabilities.

Statement of financial position

Insurance arrangements

AASB1056(33)

13. A superannuation entity which is exposed to material insurance risk shall:
    (a) recognise liabilities and assets arising from its insurance and reinsurance arrangements
    (b) measure liabilities and assets arising from insurance and reinsurance arrangements using the approach to measuring defined benefit member liabilities, and
    (c) if reinsurance assets are impaired, reduce the carrying amount of those assets and recognise the impairment in the income statement.

    For further guidance on insurance accounting and the presentation and disclosure requirements for a superannuation entity exposed to material insurance risk refer to Appendix A.

Equity

AASB1056(AG8)
AASB101(55)

14. Where a superannuation entity's total assets differs from its total liabilities (including defined contribution member liabilities, defined benefit member liabilities and any obligations to employer-sponsors), the difference is classified as equity and presented in accordance with applicable Australian Accounting Standards. In this case, the superannuation entity may need to present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position. VALUE ACCOUNTS Superannuation Fund has chosen to present a breakdown of its reserve balances in the statement of changes in equity.

AASB1056(AG9)

15. Differences between the total assets and total liabilities of a superannuation entity commonly arise in relation to matters such as operational risk reserves and in respect of defined benefit member's liabilities.

AASB 1056(8)(b)

Income statement [1-10]

Reference		Notes	2020 $'000	2019 $'000
	Superannuation activities [3-7]			
AASB1056(AG13), (AG29)(a)	Interest revenue		**186,045**	379,652
AASB1056(AG13), (AG29)(a)	Dividend revenue		**379,803**	470,476
AASB1056(AG13), (AG29)(a)	Distribution income		**125,860**	155,688
AASB1056(AG13), (AG29)(b)	Net changes in fair value of financial instruments	6	**(489,030)**	(741,628)
AASB1056(AG13)	Other income		**1,015**	1,257
AASB1056(9)(a)	**Total net income**		**203,693**	265,445
AASB1056(AG13), (AG29)(e)	Investment expenses		**(80,193)**	(119,948)
AASB1056(AG13), (AG29)(d)	Administration expenses		**(14,917)**	(13,768)
AASB1056(AG13)	Other expenses	12	**(5,230)**	(5,792)
AASB1056(9)(b)	**Total expenses [10]**		**(100,340)**	(139,508)
	Results from superannuation activities before income tax expense [3-7]		**103,353**	125,937
AASB1056(9)(f)	Income tax expense [9]	11	**(13,990)**	(54,493)
	Results from superannuation activities after income tax expense		**89,363**	71,444
AASB1056(9)(c)	Net benefits allocated to defined contribution members		**(120,435)**	(100,296)
AASB1056(9)(d), (AG16)	Net change in defined benefit member benefits [4]		**(195,329)**	(89,319)
AASB1056(9)(e)	**Operating result after income tax**		**(226,401)**	(118,171)

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

Income statement

Requirements for the presentation of an income statement

1. Disclosure requirements for the income statement are primarily included in AASB 101 *Presentation of Financial Statements.* We have provided commentary explaining these requirements in our VALUE ACCOUNTS Investment Funds 2020 publication on pages 25 to 30. Set out below is additional guidance on requirements that are specific to superannuation entities under AASB 1056.

AASB1056(AG17)

2. The style and format of the illustrative financial statements and note disclosures is not mandatory. Alternative formats and presentations are acceptable as long as they comply with the requirements of AASB 1056 and other applicable standards, including AASB 101 *Presentation of Financial Statements* and AASB 107 *Statement of Cash Flows.*

In the income statement

AASB1056(9)

3. The income statement shall include line items that present, when applicable, the following amounts for the period:
   (a) income, in aggregate or subclassified
   (b) expenses, in aggregate or subclassified
   (c) net benefits allocated to defined contribution member accounts
   (d) the net change in defined benefit member liabilities
   (e) net result, and
   (f) income tax expense or benefit attributable to net result.

AASB1056(AG16)

4. The net change in defined benefit member liabilities for a period is the difference between the opening and closing balances of the defined benefit member liabilities for the period, after adjusting for:
   (a) contributions
   (b) tax on contributions
   (c) benefits to members, and
   (d) transfers between reserves and accrued benefits.
5. Income and expense items are not offset unless the criteria in AASB 101(32) are met. Refer to VALUE ACCOUNTS Investment Funds 2020 publication page 29 for further information.

Either in the income statement or in the notes

AASB1056(AG13)

6. Revenues and expenses are presented in relevant sub classifications in the income statement or notes to the financial statements.

AASB101(97)

7. When items of income and expense are material, their nature and amount must be disclosed separately either in the income statement or in the notes.

Insurance arrangements

AASB1056(10)

8. When a superannuation entity is exposed to material insurance risk, the income statement or notes to the financial statements shall separately present insurance premiums, claim expenses, reinsurance expenses, reinsurance recoveries, and the net result from insurance activities. For further guidance on insurance accounting and the presentation and disclosure requirements for a superannuation entity exposed to material insurance risk refer to Appendix A.

Income tax expense (benefit)

AASB1056(AG15)

9. The income tax expense or benefit attributable to profit or loss does not include the taxes levied on contributions, which are included in the statement of changes in member benefits and the amount of net benefits allocated to members.

Transaction costs

AASB9(5.1.1)

10. The initial measurement of financial instruments held at fair value through profit or loss shall not include directly attributable transaction costs (e.g. fees and commissions paid to agents). Such transaction costs should be expensed as incurred. They should be separately disclosed, if they are material.

AASB1056(8)(e)

Statement of changes in member benefits [1-11]

Reference		Notes		DC member benefits $'000	DB member benefits $'000	Total $'000
	Balance at 1 July 2018			**12,780,068**	**2,855,208**	**15,635,276**
AASB1056(11)(a)	Employer contributions [1-2]			288,145	392,749	680,894
AASB1056(11)(b)	Member contributions [1]			63,604	74,320	137,924
AASB1056(11)(d)	Transfers from other superannuation funds [1]			128,902	-	128,902
AASB1056(11)(c)	Income tax on contributions [1,3]			(43,222)	(58,912)	(102,134)
	Net after tax contributions			**437,429**	**408,157**	**845,586**
AASB1056(11)(e)	Benefits to members or beneficiaries [1]			(1,499,595)	(665,655)	(2,165,250)
AASB1056(11)(f)	Insurance premiums charged to members [1,10]			(14,407)	(33,616)	(48,023)
	Death and disability insurance entitlements paid to members or beneficiaries [10]			121,027	282,397	403,424
	Transfers of members from DB to DC divisions [4]			1,157,666	(1,157,666)	-
AASB1056(11)(i)	Reserve transfers to (from) members [1]			40,551	7,626	48,177
AASB1056(11)(g)	Net benefits allocated comprising: [1,5-6]					
AASB1056(AG20)	Net investment income		104,065		-	
AASB1056(AG20)	Net administration fees		(3,769)		-	
				100,296		100,296
AASB1056(11)(h)	Net change in member defined benefits [1,7]			-	89,319	89,319
	Balance at 30 June 2019	**8**		**13,123,035**	**1,785,770**	**14,908,805**

Reference		DC member benefits $'000	DB member benefits $'000	Total $'000
	Balance at 1 July 2019 [8-9]	**13,123,035**	**1,785,770**	**14,908,805**
AASB1056(11)(a)	Employer contributions [1-2]	488,760	477,759	966,519
AASB1056(11)(b)	Member contributions [1]	58,975	85,628	144,603
AASB1056(11)(d)	Transfers from other superannuation funds [1]	113,300	-	113,300
AASB1056(11)(c)	Income tax on contributions [3]	(73,314)	(71,304)	(144,618)
	Net after tax contributions	**587,721**	**492,083**	**1,079,804**
AASB1056(11)(e)	Benefits to members or beneficiaries [1]	(1,331,291)	(564,160)	(1,895,451)
AASB1056(11)(f)	Insurance premiums charged to members [1,10]	(15,578)	(34,918)	(50,496)
	Death and disability insurance entitlements paid to members or beneficiaries [10]	150,741	259,484	410,225
	Transfers of members from DB to DC divisions [4]	802,585	(802,585)	-
AASB1056(11)(i)	Reserve transfers to (from) members [1]	28,416	7,684	36,100

AASB1056(11)(g)	Net benefits allocated comprising: [1,5-6]					
	Net investment income		125,353		-	
	Net administration fees		(4,918)		-	
				120,435		120,435
AASB1056(11)(g)-(h)	Net change in member defined benefits [1,7]			-	195,329	195,329
	Balance at 30 June 2020	**8**		**13,466,064**	**1,338,687**	**14,804,751**

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

Statement of changes in member benefits

Information to be disclosed

AASB1056(11)

1. A statement of changes in member benefits presents opening and closing balances for member liabilities and, when applicable, include the following line items for the period:
   (a) employer contributions
   (b) member contributions
   (c) taxes on contributions
   (d) benefits transferred into the entity from other superannuation entities
   (e) benefits to members or their beneficiaries
   (f) insurance premiums charged to defined contribution member accounts
   (g) net benefits allocated to defined contribution member accounts
   (h) net changes to defined benefit member accrued benefits, and
   (i) amounts allocated to members from reserves.

AASB1056(AG18)(a)

2. Employer contributions include both routine contributions and 'top-up' contributions made to fund defined benefit member liabilities.

AASB1056(12)

3. Current tax and deferred tax is charged or credited directly to member liabilities and presented in the statement of changes in member benefits when the tax relates to items that are credited or charged, in the same or a different period, directly to member liabilities.

AASB1056(AG19)

4. When a surplus in a defined benefit plan is being used to fund employer contributions for defined contribution members within the superannuation entity, the entity determines the most relevant presentation in the statement of changes in member benefits. That might include presenting a transfer from defined benefit member benefits to defined contribution member benefits as separate line items.

AASB1056(AG18)(b)

5. Net benefits allocated to defined contribution members include the investment returns and fair value movements allocated to these members.

AASB1056(AG20)

6. In relation to the net amount allocated to defined contribution member accounts, when appropriate, there shall be separate disclosure of net investment income and the administration costs charged to member accounts in the statement of changes in member benefits or in the notes to the financial statements.

AASB1056(AG18)(c)

7. Net changes to defined benefit members may include a number of components including the service element, actual contributions and the interest cost associated with the liability.

Disaggregated financial information

AASB1056(32)

8. A superannuation entity discloses disaggregated information when it is necessary to explain the risks and benefit arrangements relating to different categories of members.

AASB1056(AG34)(b)

9. A superannuation entity that has material member liabilities relating to different types of members, such as defined contribution members and defined benefit members, would need to consider separately presenting either a single statement of changes in member benefits with columns or notes showing the amounts relating to different membership types or separate statements of changes in member benefits for each different type of members. VALUE ACCOUNTS Superannuation Fund has presented a single statement of changes in member benefits with columns to show the disaggregated financial information for defined contribution members and defined benefit members.

Insurance arrangements

Superannuation entities not exposed to material insurance risk

AASB1056(AG43)(b)

10. If the superannuation entity is not exposed to material insurance risk, insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets. However, premiums charged to member accounts and insurance benefits paid to members via the superannuation entity will affect the statement of changes in member benefits and should be presented separately, if material. Appendix A illustrates the additional presentation and disclosure requirements for entities exposed to material insurance risk.

Statement of changes in member benefits

Annual reports

11. Traditionally, the annual report to members includes an extract of the statement of financial position and statement of changes in net assets to provide members with information about the financial position and operating results of a superannuation entity. Following the adoption of AASB 1056, funds may now consider publishing the statement of changes in members' benefits to provide additional information relating to the operation of the fund.

AASB1056(8)(c)

Statement of changes in equity [1-3]

AASB1056(AG22)

	Operational risk reserve $'000	Investment reserves $'000	Insurance reserve $'000	Total reserves $000	DB over or (under) funded $'000	Unallocated surplus (deficit) $'000	Total equity $'000
Balance at 1 July 2018	13,775	46,118	8,968	68,861	238,065	10,550	317,476
Transfers to DC member accounts	(14,678)	(17,300)	(8,573)	(40,551)	-	-	(40,551)
Transfers to DB member accounts	(338)	(3,058)	(4,230)	(7,626)	-	-	(7,626)
Operating result	38,741	(882)	19,670	57,529	(176,850)	1,150	(118,171)
Balance at 30 June 2019	**37,500**	**24,878**	**15,835**	**78,213**	**61,215**	**11,700**	**151,128**
Transfers to DC member accounts	(14,673)	(2,950)	(10,793)	(28,416)	-	-	**(28,416)**
Transfers to DB member accounts	(1,643)	(1,468)	(4,573)	(7,684)	-	-	**(7,684)**
Operating result	15,070	25,860	29,463	70,393	(300,394)	3,600	**(226,401)**
Balance at 30 June 2020	**36,254**	**46,320**	**29,932**	**112,506**	**(239,179)**	**15,300**	**(111,373)**

AASB101(113)

The above statement of changes in equity should be read in conjunction with the accompanying notes, in particular note 10 regarding the reserves and note 8 regarding the over/(under) funding of defined benefit plans and unallocated surplus (deficit) of defined contribution plans.

Statement of changes in equity

Requirements for the presentation of a statement of changes in equity

AASB1056(AG21)

1. Under AASB 1056, the interests of members of superannuation entities are liabilities and are not regarded as meeting the definition of an 'equity instrument' in paragraph 11 of AASB 132 *Financial Instruments: Presentation*.

AASB1056(AG8)

2. However, where a superannuation entity's total assets differs from its total liabilities (including defined contribution member liabilities and defined benefit member liabilities), the difference is classified as equity and presented in accordance with applicable Australian Accounting Standards.

AASB1056(AG9)

3. Differences between the total assets and total liabilities of a superannuation entity commonly arise in relation to matters such as operational risk reserves and a defined benefit plan deficit or surplus. Such items are classified as equity.

AASB1056(8)(d)

Statement of cash flows [1-4]

	Reference	Notes	2020 $'000	2019 $'000
AASB107(10),(14),(18)(a)	**Cash flows from operating activities [1]**			
	Interest income received		**139,273**	349,807
	Dividend income received		**269,890**	489,806
	Distribution income received		**90,345**	146,563
	Other income received		**1,258**	3,596
	Administration expenses paid		**(15,698)**	(14,934)
	Investment expenses paid		**(89,319)**	(125,674)
	Death and disability proceeds received from insurer		**411,089**	416,401
	Insurance premiums paid		**(50,505)**	(52,977)
	Other expenses paid		**(5,230)**	(5,793)
	Income taxes paid		**(44,109)**	(82,706)
	Net cash inflow/(outflow) from operating activities	14	**706,994**	1,124,089
AASB107(10),(16)	**Cash flows from investing activities [4-5]**			
	Sales of financial investments		**2,068,524**	2,372,311
	Purchases of financial investments		**(1,868,753)**	(2,288,745)
	Net cash inflow/(outflow) from investing activities		**199,771**	83,566
AASB107(10),(17)	**Cash flows from financing activities [1]**			
	Employer contributions received		**969,862**	674,894
	Member contributions received		**144,603**	137,924
	Transfers from (to) other superannuation entities		**113,300**	128,902
	Benefit payments to members or beneficiaries		**(1,862,765)**	(1,714,102)
	Tax paid on contributions[3]		**(100,465)**	(121,258)
	Net cash inflow/(outflow) from financing activities		**(735,465)**	(893,640)
	Net increase/(decrease) in cash and cash equivalents		**171,300**	314,015
	Cash and cash equivalents at the beginning of the financial year		**2,759,958**	2,161,972
AASB107(28)	Effects of foreign currency exchange rate changes on cash and cash equivalents		**(34,535)**	283,971
	Cash and cash equivalents at end of year	13	**2,896,723**	2,759,958
AASB107(43)	Non-cash financing and investing activities		**-**	-

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

Statement of cash flows

Requirements for the presentation of a statement of cash flows

AASB107(1)

1. Requirements for the presentation of a statement of cash flows are set out in AASB 107 *Statement of Cash Flows*. Refer to VALUE ACCOUNTS Investment Funds 2020 publication pages 39 to 40 for further information.
2. Appendix A illustrates the additional presentation and disclosure required for entities exposed to material insurance risk.

AASB107(6)

3. AASB 107 (6) defines investment activities as the acquisition and disposal of long-term assets and other investments not included in cash equivalents. In contrast, cash flows from operating activities are those that arising from the principal revenue-producing activities of the entity.

AASB107(15)

4. VALUE ACCOUNTS Superannuation Fund has classified its purchase and sale of investment as investment activities consistent with the illustrative presentation in AASB 1056. It is also arguable that superannuation funds generate significant returns from trading investments therefore these investment activities could be presented as operating activities.

Notes to the financial statements

Contents of the notes to the financial statement

Streamlining financial reports

1. There is a general view that financial reports have become too complex and difficult to read and that financial reporting tends to focus more on compliance than communication. The adoption of AASB 1056 by superannuation funds has led to a significant increase in the required disclosures for some funds which has had the potential to make financial reports even more inaccessible for the average reader.
2. One common alternative presentation option is to group information about specific aspects of the fund's financial position and results of operations together, rather than following the order of the line items in the financial statements. For example, one section provides information about the fund's investments and another discusses member liabilities and other areas of risks. Critical information, such as information about significant estimates or judgements is made more prominent and easier to find. We have adopted this presentation for the VALUE ACCOUNTS Superannuation Fund and highlighted information around critical judgements and significant estimates with shading.
3. Some financial statements also include relevant entity-specific accounting policies within the notes relating to individual line items in the financial statements, together with the information about significant estimates and judgements. Less significant accounting policies can then be disclosed in a separate note, which also explains the general basis. In a streamlined financial report these ‘other’ policies will often be disclosed at the very end of the notes to the financial statements, since they don’t provide any entity-specific information. While this format is used for other VALUE ACCOUNTS publications, it has not been adopted for VALUE ACCOUNTS Superannuation Fund.
4. It is important to note that the structure used in this publication is not mandatory and is only one possible example. In fact, our experience has shown that there is not one structure that is suitable for all entities. Rather, the appropriate structure depends on the Fund’s structure and operations and each entity should consider what would be most useful and relevant for their stakeholders based on their individual circumstances.

Notes to the financial statements

AASB101(138)

1 General information [1-2]

AASB101(138)(b)

VALUE ACCOUNTS Superannuation Fund (the ‘Fund’) was created by a Trust Deed dated 1 December 1993. The Fund will terminate on 30 November 2073 unless terminated earlier by the Trustee in accordance with the provisions of the Trustee Deed. The purpose of the Fund is to provide retirement benefits to its members. For the purposes of the financial statements the Fund is a for profit entity.

AASB101(138)(b)
AASB1056(21)

The Fund consists of both a defined benefit division and a defined contribution division. Members of the defined benefit division are employees of Australian-based employers with defined benefit plans for their employees. Members of the defined contribution division are either those employees of Australian-based employers who have selected the Fund as the default fund for their employees or those members who have voluntarily selected the Fund.

AASB101(138)(a)

The defined benefit division of the Fund was closed to new members from 1 July 2002, with all new members since joining the defined contribution division of the Fund.

The Fund is managed by Super Trustee Ltd (the ‘Trustee’) (ABN 43 251 987 635) which is incorporated in Australia. The registered office of the Trustee is 350 Harbour Street, Sydney, NSW 2000. Both the Trustee and the Fund are domiciled in Australia and registered with the Australian Prudential Regulation Authority (APRA).

AASB101(51)(b)
AASB110(17)

These financial statements cover the Fund as an individual entity. The financial statements of the Fund were authorised for issue by the directors of the Trustee on 14 September 2020. The directors of the Trustee have the power to amend and re-issue these financial statements.

General information

General information disclosures

AASB101(138)

1. An entity discloses the following, if not disclosed elsewhere in information published with the financial statements:
   (a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office)
   (b) a description of the nature of the entity's operations and its principal activities
   (c) the name of the parent, Trustee and the ultimate parent of the group, and
   (d) if it is a limited life entity, information regarding the length of its life.

Date of authorisation for issue

AASB110(17),(18)

2. An entity discloses the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact. It is important for users to know when the financial statements were authorised for issue, because the financial statements do not reflect events after this date.

AASB101(10)(e)

2 Summary of significant accounting policies

AASB101(112)(a)

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

AASB101(117),(119)

(a) Basis of preparation

AASB1054(7)
AASB101(51)(d)

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Superannuation Industry (Supervision) ('SIS') Act 1933* and Regulations and the provisions of the Trust Deed. The financial statements are presented in the Australian currency.

AASB101(60),(61)

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial investments, derivative liabilities and net assets available for member benefits.

AASB101(117)(a)
AASB1056(13)

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

New and amended standards adopted by the Fund

AASB108(28)

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

AASB101(119)
AASB7(21)
AASB1056(13)

(b) Financial instruments

(i) Classification

The Fund's investments and derivative liabilities are classified as fair value through profit or loss in accordance with AASB 1056.

(ii) Recognition/derecognition

AASB7(21)
AASB9(5.1.1)

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

AASB9(3.2.3)

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

(iii) Measurement

AASB7(21)
AASB9(5.1.1)

At initial recognition, the Fund measures a financial assets and financial liabilities at fair value. Transaction costs for financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses are presented in the income statement in the period in which they arise as net changes in fair value of financial instruments.

AASB7(21)

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

(iv) Offsetting financial instruments

AASB132(42)

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability at the same time.

AASB101(119)

(c) Cash and cash equivalents

AASB107(6),(8),(46)

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

AASB101(119)

(d) Revenue recognition

AASB7(21)
AASB7(B5)(e)

Interest revenue from financial instruments that are held at fair value is determined based on the contractual coupon interest rate and includes interest from cash and cash equivalents.

AASB(5.7.1A)

Dividend and distributions income are recognised gross of withholding tax in the income statement within dividend income and distribution income when the Fund's right to receive payment is established.

Other changes in fair value for financial instruments are recorded in accordance with the policies described in note 2(b) to the financial statements.

AASB101(119)

(e) Foreign currency transactions and balances

AASB121(21),(28)

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses arise from the settlement of such transactions and from the translations at year end exchange rates of monetary items denominated in foreign currencies. Amounts are recognised in the period in which they arise within other income.

AASB121(23)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at balance date. Translation differences on assets and liabilities carried at fair value are reported in the income statement on a net basis within net changes in fair value of financial instruments.

AASB101(119)

(f) Income tax

AASB112(46)

Under the Income Tax Assessment Act, the Fund is a complying superannuation fund. As such, a concessional tax rate of 15% is applied on net investment earnings with deductions allowable for administrative and operational expenses. Financial investments held for less than 12 months are taxed at the Fund's rate of 15%. For financial investments held for more than 12 months, the Fund is entitled to a further discount on the tax rate leading to an effective tax rate of 10% on any gains/(losses) arising from the disposal of investments.

AASB112(12),(46)

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

AASB112(24),(34)

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

AASB112(71),(74)

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

AASB101(119)

(g) Due from/to brokers

AASB7(21)
AASB139(59)

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date. These amounts are recognised initially at fair value and subsequently measured at fair value.

AASB101(119)

(h) Receivables

AASB7(21)
AASB1056(13)

Receivables may include amounts for dividends, interest and trust distributions and are measured at fair value. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(d) above. Amounts are generally received within 30 days of being recorded as receivables.

AASB101(119)

(i) Payables

AASB1056(13)

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

AASB101(119)

(j) Benefits paid/payable

AASB1056(13

Benefits paid/payable are valued at the amounts due to members at reporting date. Benefits paid/payable comprise pensions accrued at balance date and lump sum benefits of members who are due a benefit but had not been paid at balance date.

AASB101(119)

(k) Contributions received and transfers from other superannuation funds

AASB1056(11)

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

AASB101(119)

(l) Use of estimates

AASB101(122)

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel. Refer to note 4 for details.

The Fund also makes estimates and assumptions in relation to the valuation of defined benefit member liabilities, details of which are set out in note 8(c).

AASB108(30)

(m) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period and have not been early adopted by the Fund. None of these are expected to have a material effect on the financial statements of the Fund.

(n) Rounding of amounts

AASB101(51)(e)

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

Financial instruments

Not mandatory

This section provides information regarding the Fund's financial instruments including details of various risks arising from these financial instruments, how they could affect the Funds' financial position and performance and how the Trustee manages these risks.

3 Financial risk management[1]

AASB7(31)(32) The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

AASB7(33) The Trustee's overall objective is to maximise the Funds risk-adjusted returns over the medium to long term. The Trustee has established a Board Investment Committee (BIC) which is governed by a charter and oversees the implementation of the Fund's Investment Governance Framework ('IGF') to support the achievement of the Fund's investment objective.

The IGF sets out the Trustee's investment beliefs and the policies, procedures, standards, resources and governance measures relevant to the management of the Fund's investments.

(a) Market risk

(i) Price risk

AASB7(33)(a)(b) The Fund is exposed to equity security and derivative price risk. This arises from investments held by the Fund for which prices in the future are uncertain.

The Trustee mitigates price risk through diversification, a careful selection of securities and the use of over the counter ('OTC') option contracts to hedge the Funds exposure to price risk. Compliance with the IGF and supporting investment guidelines are monitored by the BIC on a regular basis.

AASB7(34) At 30 June, the fair value of equities and related derivatives exposed to price risk were as follows:

	Note	**2020 $'000**	2019 $'000
Equity securities		**7,863,444**	6,572,997
Unlisted unit trusts	7	**2,895,077**	3,379,979
Increase/(decrease) from OTC equity options (notional principal)		**(500,458)**	(498,345)
Net exposure to price risk		**10,258,063**	9,454,631

(ii) Foreign exchange risk

AASB7(33)(a)(b)

The Fund holds investments globally and has financial assets and liabilities denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of securities denominated in foreign currencies will fluctuate due to changes in exchange rates.

The Trustee's policy is to economically hedge up to 95% of the direct foreign currency exposure on financial assets and liabilities using forward foreign exchange contracts. Compliance with the Fund's hedging policy is monitored by the BIC on a regular basis.

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

	30 June 2020		30 June 2019	
	US Dollars	**Euro**	US Dollars	Euro
	A$'000	**A$'000**	A$'000	A$'000
Cash and cash equivalents	**537,895**	**264,894**	463,779	235,478
Due from brokers – receivables for securities sold	**12,430**	**24,658**	10,363	29,554
Financial investments				
Equity securities	**2,397,930**	**2,075,247**	1,600,201	1,255,802
Fixed interest securities	**685,123**	**592,928**	457,201	358,801
Units in unit trusts	**308,305**	**266,818**	205,740	161,460
OTC equity options	**34,256**	**29,646**	22,860	17,940
Due to brokers – payables for securities purchased	**(41,001)**	**(23,575)**	(38,456)	(20,124)
Interest rate swaps	**(247,886)**	**(302,971)**	(173,597)	(212,174)
Increase/(decrease) from forward foreign exchange contracts (notional principal)	**(3,358,958)**	**(2,534,881)**	(2,157,801)	(1,459,261)
Net exposure to foreign exchange risk	**328,094**	**392,764**	390,290	367,476

(iii) Cash flow and fair value interest rate risk

AASB7(33)(a)(b)

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed interest rates expose the Fund to fair value interest rate risk.

The table below summarises the Fund's direct exposure to interest rate risk including the Fund's use of interest rate swap contracts which are used to manage exposure to interest rate risk. The notional value of interest rate swap contracts.

	30 June 2020			
	Floating interest rate	**Fixed interest rate**	**Non-interest bearing**	**Total**
	A$'000	**A$'000**	**A$'000**	**A$'000**
Financial assets				
Cash and cash equivalents	**2,896,723**	**-**	**-**	**2,896,723**
Due from brokers – receivables for securities sold	**-**	**-**	**1,405,750**	**1,405,750**
Financial investments	**-**	**3,587,639**	**11,407,536**	**14,995,175**
Financial liabilities				
Due to brokers – payables for securities purchased	**-**	**-**	**(1,979,239)**	**(1,979,239)**
Financial liabilities	**-**	**-**	**(2,488,978)**	**(2,488,978)**
Increase/(decrease) from interest rate swap contracts (notional principal)	**(528,983)**	**528,983**	**-**	**-**
Net exposure interest rate risk	**2,367,740**	**4,116,622**	**8,345,069**	**14,829,431**

	30 June 2019			
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	A$'000	A$'000	A$'000	A$'000
Financial assets				
Cash and cash equivalents	2,759,958	-	-	2,759,958
Due from brokers – receivables for securities sold	-	-	936,390	936,390
Financial investments	-	2,817,365	12,402,545	15,219,910
Financial liabilities				
Due to brokers – payables for securities purchased	-	-	(1,706,551)	(1,706,551)
Financial liabilities	-	-	(1,828,240)	(1,828,240)

Increase (decrease) from interest rate swap contracts (notional principal)	(498,321)	498,321	-	-
Net exposure interest rate risk	2,261,637	3,315,686	9,804,144	15,381,467

AASB7(40)

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets available for member benefits to price risk, foreign exchange risk and interest rate risk. The reasonably possible movements in the risk variables have been based on the Trustee's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, foreign exchange rates and market volatility. Actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables. The fund has increased the assumptions used to determine its sensitivity to these risks compared to the comparative period as a result of increases in market volatility in the period.

	Price risk		Foreign exchange risk				Interest rate risk	
	Impact on operating profit/net assets available for member benefits							
	-20% MSCI Index	+10% MSCI Index	-15% USD	+15% USD	-15% EUR	+15% EUR	-100 bps	+100 bps
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2020	**(2,051,612)**	**1,025,807**	**(49,212)**	**49,212**	**(58,916)**	**58,916**	**107,088**	**(107,088)**

	Price risk		Foreign exchange risk				Interest rate risk	
	Impact on operating profit/net assets available for member benefits							
	-15% MSCI Index	+7.5% MSCI Index	-10% USD	+10% USD	-10% EUR	+10% EUR	-75 bps	+75 bps
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2019	(1,418,195)	709,097	(39,029)	39,029	(36,748)	36,748	98,548	(98,448)

(c) Credit risk

AASB7(33)(a)(b)

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

The main concentration of credit risk, to which the Fund is exposed, arises from the Fund's investment in interest bearing securities. The Fund is also exposed to credit risk on derivative financial instruments, cash and cash equivalents, amounts due from brokers and other receivables. The Trustee monitors the Fund's credit risk exposure on a regular basis.

AASB7(35B)(a)

The Fund measures credit risk using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information. At 30 June 2020 and 30 June 2019, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of Aa or higher and are either callable on demand or due to be settled within one week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term.

(i) Fixed interest securities

AASB7(35B)(c)

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

Rating	30 June 2020 $'000	30 June 2019 $'000
Australian		
AAA	**697,524**	1,237,801
AA	**124,568**	221,053
A	**30,773**	54,609
BBB	**20,336**	36,088
	873,201	1,549,551
International		
AAA	**456,897**	810,792
AA	**257,541**	457,022
	714,438	1,267,814
Total	**1,587,639**	2,817,365

AASB7(33)(b)

(ii) Derivative financial instruments

The Trustee has established limits such that less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty. The Fund also restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements as set out in note 5.

AASB7(33)(b)

(iii) Settlement of securities transactions

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

(iv) Cash and cash equivalents

AASB7(33)(b)

The Fund's exposure to credit risk for cash and cash equivalents is considered low as all counterparties have a rating of AA (as determined by the XYZ Rating Agency Limited) or higher.

(v) Assets in custody

AASB7(33)(b)

The clearing and depository for the Fund's security transactions are concentrated with one counterparty, namely Custodian Limited. Custodian Limited had a credit rating of AA at 30 June 2020 (30 June 2019: AA).

(vi) Maximum exposure to credit risk

AASB7(36)

The Fund's maximum exposure to credit risk before any credit enhancements is the carrying amount of the financial assets. None of the Fund's assets are past due.

(d) Liquidity risk

AASB7(33)(a)

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

The Funds liquidity policy is designed to ensure it will meet its obligations as and when they fall due by ensuring it has sufficient cash and liquid assets to sell without adversely affecting the Fund's net asset value. The Funds liquidity policy is designed to ensure it maintains sufficient cash and liquid investments to meet its obligations to members and counterparties in both orderly markets and in periods of stress.

The BIC regularly monitors the Funds liquidity position and reviews the results of liquidity stress testing across a number of different scenarios. These tests assess the impact on the liquidity of the investment portfolio and any consequential impact on asset allocations for a range of stressed market events taking into account potential adverse impacts on cash flows resulting from investment switching by members, rollover and benefit requests, settling foreign currency transactions and funding capital call commitments.

AASB1056(24)(a)
AASB7(39)(c)

The liquidity position of the Fund is conditional on a number of external factors including the liquidity of the investment markets in which the Fund invests and the relevant legislative requirements governing members' access to their superannuation benefits.

The Fund is obligated to pay member benefits in accordance with the relevant legislative requirements. This includes the payment of rollovers to other superannuation funds upon request and the payment of benefits to members within 28 days from meeting a condition of release.

The Trustee's policy is therefore to primarily hold cash and sufficient investments that are traded in an active market and can be readily disposed.

(i) Maturities of financial liabilities

AASB7(39)(a)(b)

The tables below shows the Fund's financial liabilities based on their contractual maturities using undiscounted cash flows. Due to brokers, benefits payable and defined contribution member liabilities are payable on demand. Defined benefit member liabilities are payable upon the member meeting a vesting condition (such as resignation or retirement) in accordance with the terms of the Fund's Trust Deed. The Fund considers it is highly unlikely that all liabilities to members would fall due at the same time.

	At 30 June 2020	**Less than 1 months $'000**	**1 – 6 months $'000**	**6 – 12 months $'000**	**1 – 2 years $'000**	**Total $'000**
AASB7(39)(c)	**Non-derivatives**					
	Due to brokers – payable for securities purchased	**1,979,239**	**-**	**-**	**-**	**1,979,239**
	Benefits payable	**588,251**	**-**	**-**	**-**	**588,251**
	Other payables	**-**	**26,205**	**45,665**	**-**	**71,870**
	Defined contribution member liabilities	**13,466,064**	**-**	**-**	**-**	**13,466,064**
	Defined benefit member liabilities	**1,338,687**	**-**	**-**	**-**	**1,338,687**
AASB1056(24)(a) AASB7(B11B),(B11D)	**Derivatives**					
	Net settled interest rate swaps	**1,460,862**	**735,101**	**151,613**	**141,402**	**2,488,978**

At 30 June 2019	Less than 1 months $'000	1 – 6 months $'000	6 – 12 months $'000	1 – 2 years $'000	Total $'000
AASB7(39)(a) **Non-derivatives**					
Due to brokers – payable for securities purchased	1,706,551	-	-	-	1,706,551
Benefits payable	570,383	-	-	-	570,383
Other payables	11,270	8,767	34,237	-	54,274
AASB1056(24)(a) Defined contribution member liabilities	13,123,035	-	-	-	13,123,035
Defined benefit member liabilities	1,785,770	-	-	-	1,785,770
AASB7(39)(a) **Derivatives**					
Net settled interest rate swaps	1,051,291	439,990	111,364	225,595	1,828,240

Financial risk management

AASB7

1. Disclosure requirements relating to financial instrument disclosures are set out in AASB 7. We have provided commentary explaining these requirements in our VALUE ACCOUNTS Investment Funds 2020 publication on pages 65 to 70.

   The disclosures above cover the most common scenarios for a superannuation entity, however additional disclosures may be relevant in certain circumstances.

4 Fair value measurement [1-5]

(a) Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

AASB13(72-90)

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly. The Trustee values fixed interest securities held by the Fund using broker quotes, units in unit trusts using the unadjusted redemption price quoted by the underlying fund manager and OTC derivatives using valuation models.
- Level 3: one or more of the significant inputs are not based on observable market data, examples include implied unit prices, capitalisation rates, earnings multiples and recent comparable market transactions. The Trustee generally values units in unit trusts classified as level 3 instruments using the implied unit price provided by the underlying fund manager unless there is a specific verifiable reason to vary from the unit price provided. The level 3 unit trusts held by the Fund may include closed funds which are illiquid investments. The level 3 unit trusts hold assets such as property and private equity.

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

AASB13(76)-(80)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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

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

AASB13(81)-(90)

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

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

Recognised fair value measurements

The table below sets out the level of the fair value hierarchy within which the fair value measurements of the Fund are categorised.

AASB13(93)(a)(b),(99)

At 30 June 2020	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Cash and cash equivalents		**2,896,723**	**-**	**-**	**2,896,723**
Other receivables		**513,703**	**-**	**-**	**513,703**
Due from brokers – receivables for securities sold		**1,405,750**	**-**	**-**	**1,405,750**
Equity securities					
Australian		**2,187,629**	**-**	**-**	**2,187,629**
International		**5,675,815**	**-**	**-**	**5,675,815**
Fixed interest securities					
Australian		**261,759**	**610,770**	**672**	**873,201**
International		**214,331**	**500,107**	**-**	**714,438**
Units in unit trusts	7				
Australian property trusts		**-**	**-**	**519,251**	**519,251**
Australian equity trusts		**-**	**917,176**	**655,896**	**1,573,072**
International property trusts		**-**	**-**	**13,664**	**13,664**
International equity trusts		**-**	**611,451**	**177,639**	**789,090**
Derivatives:					
OTC equity options		**571,000**	**277,000**	**-**	**848,000**
Forward FX contracts		**900,440**	**900,575**	**-**	**1,801,015**
At 30 June 2020		**14,627,150**	**3,817,079**	**1,367,122**	**19,811,351**
Financial liabilities					
Due to brokers – payable for securities purchased		**1,979,239**	**-**	**-**	**1,979,239**
Benefits payable		**588,251**	**-**	**-**	**588,251**
Other payables		**71,870**	**-**	**-**	**71,870**
Derivatives:					
Interest rate swaps		**1,742,284**	**746,694**	**-**	**2,488,978**
At 30 June 2020		**4,381,644**	**746,694**	**-**	**5,128,338**

At 30 June 2019	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Cash and cash equivalents		2,759,958	-	-	2,759,958
Other receivables		323,380	-	-	323,380
Due from brokers – receivables for securities sold		936,390	-	-	936,390
Equity securities					
Australian		2,760,806	-	-	2,760,806
International		3,812,191	-	-	3,812,191
Fixed interest securities					
Australian		464,865	1,084,686	-	1,549,551
International		380,344	887,470	-	1,267,814
Units in unit trusts	7				
Australian property trusts		-	-	513,757	513,757
Australian equity trusts		-	1,216,792	648,956	1,865,748
International property trusts		-	-	13,520	13,520
International equity trusts		-	811,195	175,759	986,954
Derivatives:					
OTC equity options		365,789	197,376	-	563,165
Forward FX contracts		885,499	1,000,905	-	1,886,404
At 30 June 2019		12,689,222	5,198,424	1,351,992	19,239,638
Financial liabilities					
Due to brokers – payable for securities purchased		1,706,551	-	-	1,706,551
Benefits payable		570,383	-	-	570,383
Other payables		54,274	-	-	54,274
Derivatives:					
Interest rate swaps		1,462,592	365,648	-	1,828,240
At 30 June 2019		3,793,800	365,648	-	4,159,448

Transfers between levels

AASB13(95)

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

AASB13(93)(c),(99)

The following table presents the transfers between levels for the year ended 30 June 2020.

At 30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Transfers between levels 1 and 2:			
International debt securities	**1,133**	**(1,133)**	**-**
Transfers between levels 2 and 3:			
Australian debt securities	**-**	**(672)**	**672**
Unlisted Australian equity unit trust	**-**	**477**	**(477)**

The debt securities transferred into level 1 relate to non-US sovereign obligations for which significant trading activity existed on 30 June 2020 but which were only thinly traded on and around 30 June 2019.

AASB13(93)(e)(iv)

The transfer from level 2 to level 3 relates to a single Australian corporate debt security whose issuer experienced significant financial difficulty during the year. This ultimately resulted in a halt in trading activity on all of its issued debt instruments. Accordingly, the valuation inputs for this security were not based on market observable inputs and therefore resulted in the reclassification to level 3.

At 30 June 2019 the level 3 investment (which was transferred to level 2 in the current year) consisted of a single unlisted Australian unit trust (the suspended fund) which was fair valued with reference to its net asset value as reported by the suspended fund's administrator, adjusted to take into account restrictions applicable to redemptions which were introduced prior to 30 June 2019.

Management of the suspended fund lifted their suspension in January 2020 resulting in monthly unit holder activity resuming. This event resulted in a transfer to level 2.

AASB13(93)(h)

The model used to fair value the investment in the suspended fund was based on the investment managers' best estimate of the net asset value of the fund, adjusted for other relevant factors considered appropriate by the responsible entity. For the suspended fund classified under level 3 at 30 June 2019, if the valuation model was increased/decreased by 1% this would have resulted in an immaterial increase/decrease in the fair value of the Fund's investment in the suspended fund

At 30 June 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000
Transfers between levels 1 and 2:			
Debt securities	(1,012)	1,102	-
Transfers between levels 2 and 3:			
Debt securities	-	-	-
Unlisted Australian equity unit trust	-	(426)	426

Movement in level 3 investments

AASB13(93)(e)

The below table set out the movements in fair value of level 3 investments.

At 30 June 2020	**Fixed interest securities $000**	**Units in unit trusts $000**	**Total $000**
Opening balance	**-**	**1,351,992**	**1,351,992**
Purchases	**-**	**547**	**547**
Sales	**-**	**(398)**	**(398)**
Change in fair value*	**-**	**14,786**	**14,309**
Transfers into/(out) from level 3	**672**	**(477)**	**192**
Closing balance	**672**	**1,366,450**	**1,367,122**
*includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	**-**	**12,485**	**12,485**

At 30 June 2019	Fixed interest securities $000	Units in unit trusts $000	Total $000
Opening balance	-	1,243,987	1,243,987
Purchases	-	689	689
Sales	-	(329)	(329)
Changes in fair value	-	107,645	107,645
Transfers into/(out) from level 3	-	426	426
Closing balance	-	1,351,992	1,351,992
*includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	-	98,942	98,942

Valuation process

AASB13(93)(g)

The Trustee has established a Board Valuation Committee (BVC) which oversees the valuation of the Fund’s investment portfolio.

Portfolio reviews are undertaken regularly by the Fund's investment administrator to identify securities that may not be actively traded or have stale security prices. This process identifies securities which could be regarded as being Level 3 securities. Further analysis, if required, is undertaken to determine the accounting significance of the identification. In the event that a security is not actively traded, and there are no or few other reference points (such as broker quotes) to substantiate the quoted market price, an assessment is performed by the BVC to determine the appropriate valuation to use that is most representative of fair value.

In addition to securities identified as Level 3 by the fund’s investment administrator, the BVC maintains a record of investments which are known to have characteristics of Level 3 Investments. These include certain unlisted property trusts and private equity securities managed by an external investment manager.

Changes in level 2 and 3 fair values are analysed at each reporting date by the BVC. As part of this discussion a report is presented that explains the reason for the fair value movements.

In orderly markets, the BVC meets to review valuations identified as Level 3 at least quarterly, and as required in more volatile markets or when the circumstances of a particular investment changes materially.

The BVC generally values interests in unlisted property trusts and private equity securities using the valuation provided by the external investment manager. As the underlying Fund’s interest in these investments are not actively traded in a public market, the valuation provided by the external investment manager is considered unobservable and is therefore classified as a Level 3 investment.

The Trustee reviews the valuation methodology adopted by the relevant investment manager and makes further enquiries, as appropriate, relating to valuation methodology and key inputs used to determine valuations.

Valuation inputs and relationships to fair value

AASB13(93)(d)(h),(99)

The following table summarises the quantitative information about the significant unobservable inputs[6] used by the Trustee in level 3 fair value measurements.

Description	Fair value at 30 June $000	Unobservable inputs	Relationship of unobservable inputs to fair value
2020 **Unlisted unit trusts**	**1,366,450**	**Unit price**	**Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by $136,645,000.**
2019 Unlisted unit trusts	1,351,992	Unit price	Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by $135,192,200.

Fair value measurement

AASB1056(AG11)
AASB7(6)

Financial assets or liabilities

1. Superannuation entities should present the various classes of their investments in a meaningful way, consistent with the requirements of AASB 101 and AASB 7. Financial instruments should be grouped into classes that are appropriate to the nature of the information being disclosed and that take into account the characteristics of the instruments. We have explained these requirements in our VALUE ACCOUNTS Investment Funds 2020 publication on pages 79 to 84.

Fair value measurement

AASB1056(13),(AG23)

2. Assets and liabilities except member liabilities, tax assets and liabilities, acquired goodwill, insurance assets and liabilities and employer-sponsor receivables are measured at fair value at each reporting date. This would include:

   (a) financial assets and liabilities, including derivatives

   (b) investment property, and

   (c) infrastructure assets.

AASB1056(AG24)

3. In determining the fair value measurements and accounting for any transaction costs, a superannuation entity applies the relevant principles and requirements in other applicable Australian Accounting Standards, including in particular AASB 13 Fair Value Measurement. Superannuation entities do not apply AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.*

AASB13(24),(25)

4. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The price shall not be adjusted for transaction costs.

AASB13(93)(d)

Valuation inputs and relationship to fair value

5. VALUE ACCOUNTS Superannuation Fund's level 3 investments are valued based on third-party pricing information with adjustment only in rare cases. As the entity is not required to create quantitative information to comply with the disclosure requirement of AASB 13 if quantitative unobservable inputs are not developed by the entity when measuring fair value, no additional disclosures are required. However, when providing this disclosure an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity.

   Refer to **Appendix B** for an example of the required disclosures of valuation inputs and relationships to fair value for other investment types.

6. VALUE ACCOUNTS Superannuation Fund only includes 1 type of level 3 investment. For additional examples on unobservable inputs disclosure please refer **Appendix D**.

5 Offsetting financial assets and financial liabilities [1]

AASB132(42)
AASB7(13A),(13B)

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

AASB7(13C)

Financial assets		**Effects of offsetting on the statement of financial position**		**Related amounts not offset**	
	Gross amounts of financial assets	**Gross amounts set off in the statement of financial position**	**Net amount of financial assets presented in the statement of financial position**	**Amounts subject to master netting arrange-ments**	**Net amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2020					
Derivative financial instruments (i)	**2,649,015**	**-**	**2,649,015**	**(2,488,978)**	**160,037**
Total	**2,649,015**	**-**	**2,649,015**	**(2,488,978)**	**160,037**
2019					
Derivative financial instruments (i)	2,449,569	-	2,449,569	(1,828,240)	621,329
Total	2,449,569	-	2,449,569	(1,828,240)	621,329

Financial liabilities		**Effects of offsetting on the statement of financial position**		**Related amounts not offset**	
	Gross amounts of financial liabilities	**Gross amounts set off in the statement of financial position**	**Net amount of financial liabilities presented in the statement of financial position**	**Amounts subject to master netting arrangements**	**Net amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2020					
Derivative financial instruments (i)	**2,488,978**	**-**	**2,488,978**	**(2,488,978)**	**-**
Total	**2,488,978**	**-**	**2,488,978**	**(2,488,978)**	**-**
2019					
Derivative financial instruments (i)	1,828,240	-	1,828,240	(1,828,240)	-
Total	1,828,240	-	1,828,240	(1,828,240)	-

Master netting arrangement – not currently enforceable

AASB7(13E),(B50)

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the above table.

Offsetting of financial assets and financial liabilities

Offsetting of financial assets and financial liabilities

AASB7

1. Refer to VALUE ACCOUNTS Investment Funds 2020 publication pages 72 to 73 for further information on offsetting financial assets and liabilities.

6 Net changes in fair value of financial instruments [1-2]

AASB1056(22),(AG13)

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

AASB7(20)(a)(i)

	2020 $'000	2019 $'000
Fair value through profit or loss		
Equity securities	**(295,800)**	(1,801,203)
Fixed interest securities	**224,373**	347,854
Unlisted unit trusts	**(450,976)**	796,472
Derivatives	**33,373**	(84,751)
Total	**(489,030)**	(741,628)

Net changes in assets measured at fair value

AASB7(20)(a)(i)

1. Where applicable, net gains or net losses on financial assets and financial liabilities at fair value through profit or loss must be separately disclosed, showing separately those designated as such upon initial recognition and those mandatorily measured at fair value through profit or loss in accordance with AASB 9. For financial liabilities at fair value through profit or loss, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss.

AASB13(93)(f)

2. There is no requirement in the accounting standards to differentiate between realised and unrealised gains or losses in the income statement. Where an entity does disclose realised gains/losses separately, it should explain in a footnote how they have been calculated for example by reference to historical cost. Unrealised gains or losses relating to recurring level 3 investments require disclosure in the notes.

7 Structured entities[1]

AASB12(B21) A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements.

AASB12(26) The Fund considers all investments in managed investment schemes ('MIS') to be structured entities. The Fund invests in underlying managed funds for the purpose of capital appreciation and/or earning investment income.

The objectives of the investee MIS are to achieve medium to long term capital growth. The investee MIS invest in a number of different financial instruments, including equities, debt instruments and non-financial assets, including property. The investee MIS finance their operations by issuing either redeemable units which are puttable at the holder's option or units which are redeemable only at the discretion of the issuer. These units entitle the holder to a proportional stake in the respective MIS's net assets.

The Fund seeks to holds redeemable shares in each of the MIS it invests in wherever possible.

AASB12(29) The exposure to investments in investee MIS at fair value, by investment strategy, is disclosed below:

AASB12(29)(a)

	Fair value of investment 2020 $'000	Fair value of investment 2019 $'000
Australian property funds	**723,769**	844,995
Australian equity funds	**1,158,031**	1,351,992
International property funds	**434,262**	506,997
International equity funds	**579,015**	675,995
	2,895,077	3,379,979

AASB12(29)(b) The fair value of financial assets (2020: $2,895,077,000, 2019: $3,379,979,000) is included in financial investments in the balance sheet.

AASB12(29)(c)(d) The Fund's maximum exposure to loss from its interests in investee MIS's is equal to the total fair value of its investments in the investee funds.

AASB12(B26)(b) During the year ended 30 June 2020, total losses incurred on investments in investee MIS's were $450,976,000 (total gain 2019: $796,472,000).

AASB12(B26)(c) During the year the Fund earned fair value gains and distribution income as a result of its interests in other funds.

Structured entities

AASB12

Structured entities disclosure

1. Disclosure requirements relating to structured entities are illustrated in AASB 12 *Disclosure of Interests in Other Entities.* We have provided commentary explaining these requirements in our VALUE ACCOUNTS Investment Funds 2020 publication on pages 94 to 95.

Members liabilities and other areas of risk

Not mandatory

This section of the notes discusses the member liabilities and other areas of risks and shows how these could affect the Fund's financial position and operating results.

8 Member liabilities [1-15]

(a) Recognition and measurement of member liabilities [1-7]

AASB1056(14)

The entitlements of members to benefit payments are recognised as liabilities. They are measured at the amount of the accrued benefits as at the reporting date, being the benefits that the Fund is presently obliged to transfer to members, or their beneficiaries, in the future as a result of the membership up to the end of the reporting period.

(i) Defined contribution member liabilities

AASB1056(15)

Defined contribution member account balances are measured using unit prices determined by the Trustee based on the underlying investment option values selected by members.

(ii) Defined benefit member liabilities

Defined benefit member liabilities are measured as the estimated present value of a portfolio of investments that would be needed as at the reporting date to yield future net cash flows that would be sufficient to meet the accrued benefits on the date when they are expected to fall due.

(b) Defined contribution member liabilities [8-10]

AASB1056(AG31)

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

AASB1056(24)(b)

As at 30 June 2020, the net assets attributable to defined contribution members have been substantially allocated. Unallocated amounts are shown in the statement of financial position as ‘Unallocated surplus (deficit)’ within equity.

(c) Defined benefit member liabilities [11-15]

AASB1056(23)

The Fund has identified two defined benefit sub plans (Plan A and Plan B).

AASB1056(25)(a)(i)

The Fund engages qualified actuaries to measure the defined benefit member liabilities in each of its two defined benefit plans. Member liabilities can only be satisfied with assets of the relevant sub plan and are quarantined from the other assets of the Fund. Both plans provide lump sum benefits which are payable to members on retirement.

AASB1056(25)(d)

The Fund manages its obligation to pay member liabilities on an expected maturity basis which is based on management’s estimates of when such funds will be drawn down by members.

Significant estimates

AASB101(125)
AASB1056(25)(a)(ii)

The Fund has identified two assumptions (discount rate and rate of salary adjustment) for which changes are reasonably possible and would have a material impact on the amount of the liabilities.

(i) Discount rate

The assumed discount rate for the two plans has been determined by reference to the investment returns expected on the investment portfolio which reflects the Fund’s actual investments and investment strategy in respect of defined benefit member liabilities. The assumed discount rate is the same for each of the two defined benefit plans.

(Ii) Rate of salary adjustment

Defined member benefits in each of the Fund’s two plans are based on an average of each member’s salary at specified anniversary dates in each of the last three years of their expected membership of their plan. The assumed annual salary adjustments for each of the Fund’s two plans has been determined by reference to the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

AASB1056(25)(a)(iii)

The Trustee considers the potential impact of changes to key variables about which assumptions need to be made. The following are sensitivity calculations for each of the discount rate and rate of salary assumptions used for Plan A and Plan B.

Defined benefit plan	Assumption	Assumed at reporting date	Reasonably possible change	Amount of (increase) decrease in member benefit liability $'000
Plan A	Discount rate	5.0%	+0.5%/-0.5%	22,280/(22,280)
		(2019: 5.0%)	(2019: +0.5%/-0.5%)	(2019: 27,004/(27,004))
	Salary adjustment rate	4.0%	+1.0%/-1.0%	31,368/(31,368)
		(2019: 4.0%)	(2019: +1.0%/-1.0%)	(2019: 34,422/(34,422))
Plan B	Discount rate	5.0%	+0.5%/-0.5%	23,549/(23,549)
		(2019: 5.0%)	(2019: +0.5%/-0.5%)	(2019: 29,774/(29,774))
	Salary adjustment rate	3.0%	+1.0%/-1.0%	30,529/(30,529)
		(2019: 3.0%)	(2019: +1.0%/-1.0%)	(2019: 35,584/(35,584))

AASB1056(25)(b)

At year end, 86% of defined benefit member liabilities have vested (2019: 78%).

(d) Defined benefit plans that are over (under) funded [10-14]

AASB1056(28-30)

For the two defined benefit superannuation plans, there were no unexpected events that changed defined benefit member liabilities materially. The plan has no information that would lead it to adjust the assumptions around pension index rates, resignations and mortality, which are all unchanged from the previous reporting period.

The appointed actuaries report to the Trustee each quarter on the status of the defined benefit sub plans. Where a sub plan is in, or likely to enter, an unsatisfactory financial position, the report sets out any remedial action and agreed rectification programs in respect of each employer.

The funds two defined benefit sub plans are over (under) funded by the amounts disclosed below:

		2020 $'000	2019 $'000
Plan A	(i)	**(297,073)**	(15,789)
Plan B	(ii)	**57,894**	77,004
		(239,179)	61,215

AASB1056(29)

(i) Plan A

The deficiency in Plan A arose due to the difference in actual salary rate increases experienced compared with the actuarial assumption used. The employer-sponsors of Plan A intends to increase contributions for a period of three financial years to a level that is projected, based on current assumptions, to result in member liabilities being fully funded by July 2020.

(ii) Plan B

Plan B continues to remain in surplus. The employer-sponsor of Plan B intends to reduce contributions to the minimum amount required to meet its superannuation guarantee obligations, which is projected, based on current assumptions, to eliminate the surplus by July 2020.

AASB1056(25)(c)

The employers of both sub plans are contributing at the rate recommended by the actuaries.

Member liabilities

Recognition

AASB1056(14)
AASB1056(BC102)

1. Obligations relating to member entitlements are recognised as member liabilities.
2. Member liabilities should be recognised as liabilities of superannuation entities because:
   (a) the obligation to fund a member's defined contribution entitlements falls on the member's superannuation entity and the obligation is legally enforceable, and
   (b) the obligation to fund a member's defined benefit entitlements, as specified in the relevant trust deed, falls primarily on the member's plan and the obligation is contractual and/or constructive in nature.

AASB1056(15)

Measurement

AASB1056 (Appendix A)

3. Member liabilities are measured as the accrued benefits of members.
4. The value of accrued benefits is defined as the benefits the superannuation entity is presently obliged to transfer to members or their beneficiaries in the future as a result of membership up to the end of the reporting period.

AASB1056 (Appendix A)

5. The value of vested benefits is defined as the value of benefits to which members or their beneficiaries would be entitled on voluntary withdrawal from the superannuation entity or on becoming entitled to a pension or deferred benefit as at the end of the reporting period.

AASB1056(16)

6. Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.

AASB1056(17)

7. Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

Defined contribution member liabilities

AASB1056(23)

8. A superannuation entity shall disclose information that provides users with a basis for understanding member liabilities.

AASB1056(24)

9. In relation to defined contribution member liabilities, when applicable, an entity:
   (a) applies the disclosure requirements of AASB 7 Financial Instruments: Disclosures in respect of credit risk, market risk and liquidity risk, as if defined contribution member liabilities were financial liabilities, and
   (b) discloses the amount of any net assets attributable to defined contribution members but not allocated to those members as at the end of the period.

AASB1056(AG31)

10. In applying the principles and requirements of AASB 7 to defined contribution member liabilities, a superannuation fund should consider disclosing the mechanism by which market risk is passed on to members for example through frequent crediting of member accounts, and how it manages the liquidity risk associated with meeting withdrawals or pension payments.

Member liabilities

Defined benefit member liabilities

AASB1056(23)

11. A superannuation entity shall disclose information that provides users with a basis for understanding member liabilities.

AASB1056(AG25)

12. The amount of defined benefit member liabilities is a present value based on a portfolio of investments estimated to yield future net cash inflows that would be sufficient to meet accrued benefit payments when they are expected to fall due. That is:
    (a) the amount relates to members' service up to the reporting date
    (b) it is assumed the accrued benefits will be fulfilled and, accordingly, there is no adjustment for the superannuation entity's own credit risk
    (c) the expected cash outflows relevant to measuring the liability take into account the timing and probabilities attaching to various factors that reflect the characteristics of the members/beneficiaries and the features of entitlements (including expected rates of member turnover, mortality and disability; salary adjustment; early retirement; member choice of available options such as lump sum and pension options)
    (d) the investment returns relevant to measuring the liabilities are those expected on a portfolio of investments that reflect the opportunities available in investment markets and not necessarily the actual investments held by the superannuation entity to meet the accrued defined benefit member liabilities
    (e) the accrued benefit amount might be more or less than the value of vested benefits, and
    (f) the discount rate would exclude risks incorporated in the expected cash flows.

AASB1056(25)

13. In relation to defined benefit member liabilities, the disclosures would include:
    (a) information in relation to the key assumptions used in measuring defined benefit member liabilities, including:
        (i) the basis for the key assumptions, including the manner in which they have been determined
        (ii) the key assumptions used, as percentages or in other quantitative terms or in qualitative form, and
        (iii) the sensitivity of the liabilities to reasonably possible changes in the key assumptions.
    (b) the amount of vested benefits at the end of the period
    (c) whether the actual level of contributions is consistent with the actuary's recommendations
    (d) information about the manner in which the entity manages liquidity risk, and
    (e) where the entity's actual investment portfolio differs from the portfolio used in measuring defined benefit member liabilities, an explanation of why that is the case.

AASB1056(28)(29)

14. Where the amount of net assets attributable to defined benefit members differs from defined benefit member liabilities, the entity shall disclose information that provides users with a basis for understanding the nature, causes of and any strategies for addressing the difference between the two amounts. The disclosures would include:
    (a) whether the difference has arisen, in whole or in part, as a consequence of applying different assumptions for the purposes of determining funding levels and measuring defined benefit member liabilities and if so, the nature of the differences between the assumptions, and
    (b) in the case of a difference not wholly explained by (a):
        (i) the entity's strategy for addressing the difference and the anticipated timeframe over which the difference is expected to be eliminated, and
        (ii) any plans or processes in place for employer-sponsors to seek to be paid some or all of a surplus or to reduce the level of their contribution in the future.

AASB1056(30)

15. A superannuation entity shall disclose information that provides users with a basis for understanding the overall change in a defined benefit member liabilities.

9 Insurance arrangements [1-2]

AASB1058(AG40-42)

The Fund provides death and disability benefits to its members. The Trustee has a group policy in place with a third party insurance company to insure these death and disability benefits for the members of the Fund.

The Fund collects premiums from members on behalf of the insurance company. Insurance claim amounts are recognised where the insurer has agreed to pay the claim. Therefore insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets. Insurance premiums charged to members accounts and reinsurance recoveries allocated are recognised in the statement of changes in members benefits.

AASB101(122)

The Trustee determined that the Fund is not exposed to material insurance risk because:

- members (or their beneficiaries) will only receive insurance benefits if the external insurer pays the claim
- insurance premiums are only paid through the Fund for administrative reasons, and
- insurance premiums are effectively set directly by reference to premiums set by an external insurer.

Insurance arrangements

AASB1056(AG43)

1. When a superannuation entity is not exposed to a material insurance risk, insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets.

AASB1056(BC148)

2. A superannuation entity, which offers insurance arrangements to members acting as agent on behalf of an insurer, is unlikely to be exposed to significant insurance risk as members or their beneficiaries would not generally have recourse to the assets of the superannuation entity, even in the event the insurer fails.

10 Reserves [1-2]

AASB1056(32)

(a) Operational risk financial reserve [1-2]

	2020 $'000	2019 $'000
Defined contribution division	**32,976**	33,010
Defined benefit division	**3,278**	4,490
Total	**36,254**	37,500

AASB101(79)(b)

The operational risk financial reserve (ORFR) may be used in certain circumstances to address operational risk events or claims against the Fund arising from operational risk.

The Trustee has assessed an ORFR of 0.25% of funds under management as appropriate for the Fund.

(b) Investment reserve [1-2]

AASB101(79)(b)

The investment reserve was established to provide the Fund with access to funds to protect members' interests and mitigate the impact of adverse events. The investment reserve comprises the difference between the cumulative amount of investment income (net of investment expenses) allocated to members' accounts compared with the cumulative investment income (net of investment expenses) earned by the Fund.

AASB101(79)(b)

(c) Insurance reserve [1-2]

The insurance reserve was established for insurance related revenue and expenditure of the Fund. It is primarily used to account for timing differences between the premiums the Fund pays the insurer and charges members.

Reserves

AASB1056(AG9) 1. Differences between the total assets and total liabilities of a superannuation entity commonly arise in relation to matters such as operational risk reserves.

AASB101(79)(b) 2. An entity shall disclose a description of the nature and purpose of each reserve within equity.

11 Income tax[1-3]

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

AASB112(79) *(i) Income tax expense*

		2020 $'000	2019 $'000
	Current tax		
AASB112(80)(a)	Current tax on profits for the year	**28,641**	44,011
AASB112(80)(b)	Adjustments for current tax of prior periods	**(6,646)**	6,578
	Total current tax expense	**21,995**	50,589
	Deferred income tax		
AASB112(80)(c)	Decrease/(increase) in deferred tax assets	**(8,005)**	3,904
	Income tax expense	**13,990**	54,493

AASB112(81)(d),(85) *(ii) Numerical reconciliation of income tax expense to prima facie tax payable[1]*

		2020 $'000	2019 $'000
	Operating result before income tax expense	**103,353**	125,937
	Tax at the Australian rate of 15% (2019 – 15%)	**15,053**	18,891
	Discount on capital gains	**17,261**	34,877
	Non-deductible expenses	**1,041**	1,200
	Other non-assessable income	**(5,246)**	(2,469)
	Imputation credits	**(7,473)**	(4,589)
AASB112(80)(b)	Adjustments for current tax of prior periods	**(6,646)**	6,583
	Income tax expense	**13,990**	54,493

In addition to the above $144,618,000 (2019: $102,134,000) is recognised in the statement of changes in member benefits relating to tax on contributions deducted from member accounts.

(iii) Deferred tax balances [2-3]

The balance comprises temporary differences attributable to:

AASB112(81)(g)(i)

	2020 **$'000**	2019 $'000
Deferred tax assets		
Financial assets measured at fair value through profit or loss	**26,698**	18,693
Net deferred tax assets	**26,698**	18,693

The movements in temporary differences during the year are:

	Beginning of year $'000	Recognised in income $'000	End of year $'000
At 30 June 2020			
Deferred tax assets			
Net changes in financial assets measured at fair value through profit or loss	**18,693**	**8,005**	**26,698**
Net deferred tax assets	**18,693**	**8,005**	**26,698**
At 30 June 2019			
Deferred tax assets			
Net changes in financial assets measured at fair value through profit or loss	14,789	3,904	18,693
Net deferred tax assets	14,789	3,904	18,693

Income tax

Relationship between tax expense and accounting profit

AASB112(81)(c),(85)

1. A superannuation entity can explain the relationship between tax expense (income) and accounting profit by disclosing reconciliations between:
   (a) tax expense and the product of accounting profit multiplied by the applicable tax rate, or
   (b) the average effective tax rate and the applicable tax rate.

Deferred tax assets and liabilities

AASB112(81)(g)

2. AASB 112 requires the following disclosures for each type of temporary difference and in respect of each type of unused tax loss and tax credit:
   (a) the deferred tax balances recognised for each period presented
   (b) the amounts of deferred tax income or expense recognised in profit or loss, if this is not apparent from the changes in the amounts recognised in the statement of financial position.
3. This information can be presented in various ways. VALUE ACCOUNTS Superannuation Fund has chosen to provide the information in the form of a reconciliation by type of temporary difference. However, other formats are equally acceptable as long as all of the required disclosures are made.

12 Other items [1-3]

AASB1056(22)(AG13)

Other operating expenses

		2020 $'000	2019 $'000
AASB1056(22) (AG29)(i)	Trustee fees and reimbursements	**1,035**	1,182
AASB1056(22) (AG29)(f)	Actuarial fees	**1,000**	1,030
AASB1056(22) (AG29)(g)	Audit fees	**300**	275
AASB1056(22) (AG29)(h)	Commissions paid directly	**1,618**	1,807
AASB1056(22) (AG29)(j)	Sponsorship and advertising	**1,277**	1,498
		5,230	5,792

Other operating expenses

AASB1056(22)

1. A superannuation entity discloses information that provides users with a basis for understanding the nature and amounts of income and expenses.

AASB1056(AG29)(f-j)

2. A superannuation entity shall disclose:
   a. actuarial fees
   b. audit fees
   c. commissions paid directly by the superannuation entity
   d. trustee fees and reimbursements, and
   e. sponsorship and advertising expenses.

AASB1056(AG29)(d)(e)

The Fund has chosen to disclose investment and administration expenses as separate line items within total expenses in the income statement.

AASB1056(AG13) (AG29)(a)

3. Superannuation entities will also need to provide additional information about their income items where these include unusual or one-off items.

Cash flow information

Not mandatory

This section provides further information in relation to the Funds' statement of cash flows.

13 Cash and cash equivalents [1]

		2020 $'000	2019 $'000
AASB107(45)	Cash at bank	**24,005**	69,658
AASB107(45)	Money market instruments	**2,872,718**	2,690,300
		2,896,723	2,759,958

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

AASB107(45)

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

		2020 $'000	2019 $'000
	Operating result after tax	**(226,401)**	(118,171)
	Adjustments for:		
	Net changes in financial assets measured at fair value through profit or loss	**489,030**	741,628
	Net benefits allocated to defined contribution members	**120,435**	100,296
	Net change in defined benefit member benefits	**195,329**	89,319
	Change in operating assets and liabilities:		
	(Increase)/decrease in receivables	**(190,323)**	(26,876)
	Increase/(decrease) in payables	**(41,660)**	(25,531)
AASB1056(AG44)	Death and disability proceeds received from insurer	**411,089**	416,401
	Insurance premiums paid	**(50,505)**	(52,977)
	Net cash inflow/(outflow) from operating activities	**706,994**	1,124,089

AASB107(43)

(b) Non-cash financing and investing activities

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

Cash flow information

Cash and cash equivalents

AASB107

1. The requirements for cash and cash equivalent requirements are set out in AASB 107. Refer to VALUE ACCOUNTS Investment Funds 2020 publication pages 39 to 40, paragraphs 10 to 17 and page 103 for further information.

Unrecognised items

Not mandatory

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

15 Commitments

(a) Investment commitments

AASB101(112)(c)

The Fund has made commitments to invest in certain managed investment schemes. Significant investment commitments contracted for at the end of the reporting period but not recognised as assets are as follows:

	2020 $'000	2019 $'000
Australian Property Trust	**23,450**	45,892

16 Contingent liabilities and contingent assets

AASB137(86),(89),(91)

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

17 Events occurring after the reporting period [1]

AASB110(21)

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as at 30 June 2020 or on the results and cash flows of the Fund for the year ended on that date.

Events occurring after the reporting period

AASB110

1. Refer to VALUE ACCOUNTS Investment Funds 2020 publication page 116 for further information.

Further details

Not mandatory

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

18 Related party transactions [1]

(a) Trustee

AASB124(18)
AASB1056(AG39)

The Trustee of VALUE ACCOUNTS Superannuation Fund is Super Trustee Ltd. Amounts paid to the trustee in form of fees and reimbursements are disclosed in note 12 and total $1,035,231 (2019: $1,182,145. As at 30 June 2020, $130,000 (2019: $90,000) was payable to the trustee and is included other payables in the statement of financial position.

(b) Directors

Not mandatory

Key management personnel includes persons who were directors of Super Trustee Ltd at any time during the financial year as follows:

A Director

B Director (resigned 28 October 2019)

C Director

D Director (appointed 20 February 2020)

E Director

(c) Other key management personnel

Not mandatory

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

AASB124(17)

(d) Key management personnel compensation

		2020 $	2019 $
AASB124(17)(a)	Short-term employee benefits	**869,758**	754,824
AASB124(17)(b)	Post-employment benefits	**642,383**	458,629
AASB124(17)(c)	Long-term benefits	**125,789**	84,369
AASB124(17)(d)	Termination benefits	**-**	-
AASB124(17)(e)	Share-based payments	**-**	-
		1,637,930	1,297,822

(e) Related Party Transactions

AASB124(18)

Key management personnel (KMP) are members of the Fund. The membership terms and conditions for KMP are the same as those available to other members of the fund.

Related party transactions

AASB124

1. Related party requirements are set out in AASB 124. Refer to the VALUE ACCOUNTS Investment Funds 2020 publication pages 111 to 114 for further information.

19 Remuneration of auditors [1]

AASB1054(10) During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as the auditor of the Fund and by PwC's related network firms:

		2020 $	2019 $
	Auditors of the Fund – PwC and related network firms		
AASB1054(10)(a)	*Audit of financial reports*	125,000	118,000
AASB1054(10)(b),(11)	*Other assurance services*		
	Audit of compliance and other regulatory returns	**35,000**	27,000
AASB1054(10)(b),(11)	*Other services*		
	Tax compliance services	**45,000**	40,000
	Remuneration advice	**40,000**	35,000
	Regulatory advice	**55,000**	55,000
	Total remuneration for other services	**140,000**	130,000
	Total remuneration of PricewaterhouseCoopers Australia	**300,000**	275,000
	Total auditors' remuneration	**300,000**	275,000

It is the Fund's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Fund are important. These assignments are principally tax advice, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Fund's policy to seek competitive tenders for all major consulting projects.

Audit remuneration disclosure requirements

AASB1054

1. AASB 1054 sets out the requirements for audit remuneration disclosure requirements. Refer to the VALUE ACCOUNTS Investment Funds 2020 publication pages 105 to 107 for further information.

Trustees' declaration [1-3]

In the opinion of the directors of the Trustee of VALUE ACCOUNTS Superannuation Fund:

(a) the accompanying financial statements and notes set out on pages 9 to 55 are in accordance with:

  (i) Australian Accounting Standards and other mandatory professional reporting requirements[2], and

  (ii) present fairly the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date,

(b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the *Superannuation Industry (Supervision) Act 1993* and its accompanying Regulations; the relevant requirements of the *Corporations Act 2001 and Regulations*; the requirements under section 13 of the *Financial Sector (Collection of Data) Act 2001*, during the year ended 30 June 2020, and

(c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of Super Trustee Ltd as Trustee for VALUE ACCOUNTS Superannuation Fund.

A Director [3]

Director

B Director [3]

Director

Sydney

14 September 2020

Trustees' declaration

Format of trustees' declaration

1. There is no prescribed format for the Trustee's statement unless prescribed by the Fund's governing rules. The Trustee's statement illustrated above is included by way of example.

Reference to other mandatory professional reporting requirements

2. Reference to other mandatory professional reporting requirements is not required, but is recommended.

Dating and signing of declaration

3. It is common practice for the declaration to be signed by two directors of the trustee company.

Independent auditor's report to the members of VALUE ACCOUNTS Superannuation Fund [1-3]

Independent audit report

Form and content of audit report

SPS310(12-18)

1. Standards and guidance on the preparation of audit reports for superannuation entities are given in *Prudential Standard SPS 310 Audit and Related Matters* with the approved form issued by APRA.

SPS310(19)(a)

2. At a minimum, the auditor's report, which must be prepared by the RSE auditor, must provide reasonable assurance addressing annual financial statements of each RSE prepared in accordance with relevant Australian Accounting Standards issued by the Australian Accounting Standards Board.

SPS310(20)

3. If APRA has approved a form (the approved form) for the auditor's report, the auditor's report must be in the approved form.

Appendices

Not mandatory

This section includes other information that must be disclosed to comply with the specific requirements of AASB 1056 if certain conditions, as set in the standard, are met.

Appendix A – Other illustrative scenarios

Example 1 – Insurance arrangements for funds exposed to material insurance risk [1-5]

Statement of financial position (extract)

Assets	2020 $'000	2019 $'000
Reinsurance assets	**1,370,780**	870,780

AASB101(55)

Liabilities		
Insurance liabilities	**1,896,238**	1,634,738

AASB101(55)

Income statement (extract)

Results from insurance activities	**(76,326)**	(73,475)

AASB1056(AG29)(c)

Summary of significant accounting policies (extract)

AASB101(119)

(a) Measurement of insurance contract assets and liabilities

Insurance contract liabilities and reinsurance contract assets are recognised at their fair value which is determined as the estimated amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash flows that would be sufficient to meet the insured benefits on the date when they are expected to fall due.

The carrying amount of the reinsurance assets is adjusted for impairment if there is objective evidence as a result of an event that occurred after their initial recognition that the Fund will not receive amounts due to it under the terms of the contract, and the impact of the event on the amounts receivable from the reinsurer can be reliably measured.

Insurance activities

AASB1056(33)
AASB1056(35)(36)
AASB1056(AG44-49)

The Fund provides death and disability benefits to its defined contribution members. The Fund self-insures this risk as the Trustee believes it is appropriate in light of the Fund's present membership and benefit levels. The table below outlines the net results of the Fund's insurance activities during the year:

AASB1056(10)

Insurance activities	**2020 $'000**	2019 $'000
Insurance contract revenue	**874,590**	647,550
Less: Outward reinsurance premiums	**(874,555)**	(647,525)
Net premium revenue	**35**	25
Reinsurance recoveries revenues	**396,344**	406,749
Insurance contract claims expenses	**(711,205)**	(770,316)
Movement in insurance liabilities	**(261,500)**	(357,291)
Movement in reinsurance assets	**500,000**	647,358
	(76,326)	(73,475)

AASB101(122)

(a) Critical judgments regarding the recognition of insurance assets and liabilities

The Trustee has assessed whether the Fund is exposed to material insurance risks and has determined that it is appropriate to recognise liabilities associated with the death and disability benefits provided to members and the assets arising from reinsurance contracts. The Trustee considered that material insurance risk arises because there are differences between the terms and conditions associated with insurance benefits provided to members and the reinsurance contract maintained by the Fund. This means that in certain circumstances, members (or their beneficiaries) may be entitled to receive insurance benefits irrespective of whether the external reinsurer accepts the claim.

(b) Significant estimates made in measuring insurance contract asset and liabilities

AASB1056(36)(a)

The Fund uses the services of an actuary to determine its insurance contract assets and liabilities. An actuarial valuation involves making various assumptions about the future. Actual events in the future may differ from these assumptions. Due to the complexity involved in the valuation and its long term nature, insurance assets and liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The key assumptions used in measuring the insurance contract liabilities are:

1. interest rate of 2.85% (2019: 3.15%)
2. salary inflation rates of 2.0% (2019: 2.4%)
3. mortality rates based on ALT 10-12, uplifted with mortality improvements and scaled to reflect fund's claim experience and different risk profiles such as occupational ratings and smoking, and
4. disability rates based on fund's claim experience and different risk profiles such as occupational ratings and smoking.

AASB1056(36)(b)

The key factors or uncertainties that impact the key assumptions above are:

1. If interest rate decreases, it will result in an increase in insurance liabilities and an increase in the value of the insurance assets. These insurance liabilities are reinsured and it is expected that there will be minimal impact to the Fund's overall result.
2. If salary inflation rates increase, it will result in the increase in insurance liabilities that would result in a decline in the net assets of the Fund.
3. Higher mortality and disability rates will result in an increase in insurance liabilities as a result of higher claims and will lead to a decline in the net assets of the Fund.

AASB1056(36)(c)

A better than expected claims experience will result in lower liabilities and an increase in the net assets of the Fund.

There are minimal uncertainties relating to the recoverability of the reinsurance assets as these have been reinsured with ABC Reinsurance (Australia) Ltd which has a AA credit rating.

Impairment assessment of insurance contract assets

AASB1056(34)

There has been no event during the year that has affected the recoverability of the reinsurance assets of the Fund.

Insurance activities

AASB1056(AG40)

1. Superannuation entities must recognise liabilities and assets arising from their insurance and reinsurance arrangements if they are exposed to a material insurance risk.

AASB1056(AG41)

   Indicators that the entity is not exposed to a material insurance risk include:

   a. members (or their beneficiaries) will only receive insurance benefits if the external insurer/reinsurer pays the claims
   b. insurance premiums are only paid through the superannuation entity for administrative reasons, and
   c. insurance premiums are effectively set directly by reference to premiums set by an external insurer.

AASB1056(AG42)

   Further, a superannuation entity has not taken on material insurance risk simply by:

   a. taking out (group) insurance cover in the name of the superannuation entity
   b. paying claim benefits to members (or their beneficiaries) via the superannuation entity, and
   c. making occasional ex gratia payments in respect of death and disability benefits.

   Similarly, the following factors alone would not generally be indicative of exposure to material insurance risk:

   a. the entity has oversight over the claims process, reviews declined claims and occasionally agrees to pay a claim out of reserves, or
   b. the entity is assisting the insurer by administering the claims and is charging an administration fee for these service to the members.

   To assess whether the entity has a legal or constructive obligation in relation to the insurance cover, superannuation entities should consider their trust deeds and review the communications provided to members. For example:

   a. What have the members been told in relation to the insurance arrangements?
   b. Are they aware that the insurance is provided by a third party, or is it implied that the superannuation entity will be ultimately responsible for providing the benefits?
   c. Do the documents provided to members refer to the third party insurance policy for the terms and conditions, or do they set out their own terms and conditions under which claims will be paid?
   d. If the documents repeat the terms and conditions of a third party insurance arrangement, is it clear that these may change if the insurance policy is renewed and are there procedures in place to ensure members are informed of any changes?

AASB1056(33)

2. A superannuation entity that is exposed to a material insurance risk shall:

   a. recognise liabilities and assets arising from its insurance and reinsurance arrangements
   b. measure liabilities and assets arising from insurance and reinsurance arrangements using the approach to measuring defined benefit member liabilities, and
   c. If reinsurance assets are impaired, reduce the carrying amount of those assets and recognise the impairment in the income statement.

AASB1056(35)(36)

3. A superannuation entity that is exposed to a material insurance risk in respect of defined contribution members that recognises insurance liabilities and assets shall disclose information that provides a basis for understanding the amount, timing and uncertainty of future cash flows relating to those liabilities and assets. The disclosures include quantitative or qualitative information in relation to:

   a. key assumptions used in measuring liabilities arising from insurance arrangements the superannuation entity provides to its members
   b. any uncertainties surrounding those key assumptions, and
   c. any uncertainties surrounding reinsurance assets.

AASB1056(AG46)

4. Liabilities arising from insurance arrangements a superannuation entity provides to defined contribution members shall be presented separately from the entity's liabilities for such members' benefits in the statement of financial position.

Insurance activities

5. Insurance accounting is complex and the illustrative disclosures included above are designed to highlight the key requirements applicable to VALUE ACCOUNTS Superannuation Fund. For further guidance refer to AASB 1056, including paragraphs AG44 – AG49.

Example 2 – Employer-sponsor receivables[1-2]

AASB101(54)(h)

		2020 $'000	2019 $'000
AASB1056(18)	Employer-sponsor receivables [1-2]	**297,073**	15,789
	Investment income receivables	**512,681**	321,830
	Prepayments	**583**	863
	Sundry debtors	**439**	687
		810,776	339,169

AASB1056(26),(27)

The employer sponsor receivable recognised in the financial statements relates to the deficiency in plan A and is measured as the difference between the defined benefit member liabilities relating to plan A and the amount of the other recognised assets held to meet those liabilities. ABC Proprietary Limited is the employer sponsor and has a statutory responsibility under statute XYZ to make additional contributions for a period of 3 years to fully fund the deficit by July 2020.

Other receivables

Employer-sponsor receivables

AASB1056(18),(AG27)

1. An employer-sponsor receivable shall be recognised for the difference between
   - a defined benefit member liability, and
   - the fair value of the assets available to meet that liability

   provided the receivable meets the definition and recognition criteria for an asset. This would be the case, for example where there are specific contractual or statutory arrangements in place between the superannuation entity and the relevant employer-sponsor(s) in relation to the funding of the defined benefit member liabilities.

AASB1056(19),(AG28)

2. The asset should be measured at its intrinsic value, being the difference between the defined benefit member liabilities and the amount of the other recognised assets held to meet those liabilities (measured as required under AASB 1056), unless the amount of the receivable is capped or impaired in any way.

Appendix B – Complex Investments – Illustrative liquidity risk, valuations and unobservable input disclosures

VALUE ACCOUNTS Superannuation Fund only has a limited number of investments that are categorised in level 3 of the fair value hierarchy (illiquid debt securities). This appendix shows some other types of investments which may be categorised in Level 3, including Level 3 investments held through externally managed investment vehicles and directly held level 3 investments. It also provides a summarised example of a Trustee's governance and oversight of liquidity risk, Level 3 valuations and unobservable input disclosures.

The disclosures below are intended to supplement (as appropriate) the disclosures included within VALUE ACCOUNTS Superannuation Fund

Liquidity risk disclosures

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

The Funds liquidity policy is designed to ensure it will meet its obligations as and when they fall due by ensuring it has sufficient cash and liquid assets to sell without adversely affecting the Fund's net asset value. The Funds liquidity policy is designed to ensure it maintains sufficient cash and liquid investments to meet its obligations to members and counterparties in both orderly markets and in periods of stress.

The BIC regularly monitors the Funds liquidity position and reviews the results of liquidity stress testing across a number of different scenarios. These tests assess the impact on the liquidity of the investment portfolio and any consequential impact on asset allocations for a range of stressed market events taking into account potential adverse impacts on cash flows resulting from investment switching by members, rollover and benefit requests, settling foreign currency transactions and funding capital call commitments.

The liquidity position of the Fund is conditional on a number of external factors including the liquidity of the investment markets in which the Fund invests and the relevant legislative requirements governing members' access to their superannuation benefits.

The Fund is obligated to pay member benefits in accordance with the relevant legislative requirements. This includes the payment of rollovers to other superannuation funds upon request and the payment of benefits to members within 28 days from meeting a condition of release.

The Trustee's policy is therefore to primarily hold cash and sufficient investments that are traded in an active market and can be readily disposed.

A proportion of the Funds investments are also not actively traded on a stock exchange or able to facilitate daily redemption requests because the Trustee believes these investment offer higher risk adjusted returns in the medium to long term. These include but are not limited to investments classified as Level 3 in the Fair Value Hierarchy

Valuations and unobservable input disclosures

Identification and evaluation of level 3 investments

The Trustee has established a Board Valuation Committee (BVC) which oversees the valuation of the Fund's investment portfolio.

Portfolio reviews are undertaken regularly by the Fund's investment administrator to identify securities that may not be actively traded or have stale security prices. This process identifies securities which could be regarded as being Level 3 securities. Further analysis, if required, is undertaken to determine the accounting significance of the identification. In the event that a security is not actively traded, and there are no or few other reference points (such as broker quotes) to substantiate the quoted market price, an assessment is performed by the BVC to determine the appropriate valuation to use that is most representative of fair value.

In addition to securities identified as Level 3 by the fund's investment administrator, the BVC maintains a record of investments which are known to have characteristics of Level 3 Investments. These include certain corporate debt securities and unlisted property, infrastructure and equity securities which may be either managed by an external investment manager or directly by the Fund's internal investment team.

Changes in level 2 and 3 fair values are analysed at each reporting date by the BVC. As part of this discussion a report is presented that explains the reason for the fair value movements.

In orderly markets, the BVC meets to review valuations identified as Level 3 at least quarterly, and as required in more volatile markets or when the circumstances of a particular investment changes materially.

In accordance with the IGF and supporting policies, the Fund's investments are either managed by external investment managers appointed by the Trustee or directly by the Fund's internal investment team.

A summary of the Trustee's valuation policies and processes for Level 3 investments is set out below:

Level 3 Investments managed by external investment managers

Level 3 Investments managed by external investment managers are investments held in unlisted property trusts and private equity partnerships which are closed-ended and not actively traded in public markets.

The BVC generally values interests in unlisted property trusts and private equity partnerships using the valuation provided by the relevant external investment manager. As the underlying Fund's interest in these investments are not actively traded in a public market, the valuation provided by the external investment manager is considered unobservable and is therefore classified as a Level 3 investment.

The BVC reviews the valuation methodology adopted by the relevant investment manager and makes further enquiries, as appropriate, relating to valuation methodology and key inputs used to determine valuations.

For certain unlisted property trusts, the Fund has applied a discount to the valuation provided by the relevant external investment manager to reflect a difference in market outlook related to the underlying investments held in the trust.

Level 3 investments managed directly by the Fund's internal investment team

Level 3 investments managed directly by the Fund's internal investment team are valued at least annually by a third party valuer selected from the BVC's approved list of valuers. The BVC has policies and procedures governing the appointment and rotation of third party valuers. These include an assessment of the qualifications and experience of the valuers prior to appointment and a requirement to rotated valuers for each investment every 3 years.

Valuations performed by third party valuers are reviewed by the BVC to confirm that an appropriate valuation methodology has been used and that key inputs, assumptions and judgements made by the valuer are appropriate.

Valuers generally provide a valuation range and it is the Trustee's policy to adopt the mid-point valuation unless there are reasons which indicate it is more appropriate to adopt a different valuation within the range provided by the valuer.

In limited circumstances, such as for recently acquired investments or where a third party valuation cannot be obtained within the time frame required, management may prepare a valuation which is reviewed and approved by the BVC.

Where valuations are performed at a date other than balance sheet date, the BVC considers whether the valuation continues to remain appropriate at as balance sheet date.

The valuation methodologies adopted by the third party valuers for material asset classes held by the Fund are summarised below:

Debt securities

Debt securities are valued using a discounted cash flow methodology. The key assumption in these valuations are the discount rate which is determined with reference to the discount rate of comparable debt securities and the initial traded yield of the debt security, adjusted for market movements and changes in credit risks up to balance sheet date.

Property

Both the capitalisation method and discounted cash flow methods are used to value the directly held properties. Where possible, cross checks are performed to recent transactions involving comparable properties. Key assumptions include the 10-yr compound market rental growth rate, capitalisation rate and discount rate.

Infrastructure

Infrastructure investments are valued using the discounted cash flow method as the primary valuation method. Key assumptions include cash flow estimates (operating cash flows, capital expenditure estimates and timing), growth rates, discount rates and terminal value estimates.

Unlisted Equities

Unlisted equities are valued using the discounted cash flow methodology, a market multiple approach or a net assets approach, as appropriate for the particular security.

Under the discounted cash flow methodology, a discount rate representing the weighted average cost of capital for the business is used to discount projected future cash flows to their present value. The projected future cash flows are estimated based on terminal value and revenue growth rates.

Under the market multiples approach, benchmarks implied from the traded price of listed peers or transactions of comparable businesses are used to estimate the fair value of the asset.

Under the net assets approach, the fair value of net assets (using book value or values revised to fair value) is used to approximate the value of the asset. Generally, this approach is adopted where the business is in distress, in wind up or where the operations of the business are on the balance sheet a fair value.

As at the reporting date, the Fund did not hold any financial instruments which were not measured at fair value on the Statement of Financial Position.

AASB13(93)(d), (h)(i), (ii)

Description[2]	Fair value at 30 June 2020 $000	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value[3] $000
Unlisted Property Unit Trusts	22,125	Unit Price	Diverse[(a)]	Increased/(decreased) unit price (+/– 10% would (decrease)/increase fair values by 420
		Valuation Adjustment	15%-30% (25%)	Increased/(decreased) Valuation Adjustment (+/-10%) would (decrease)/increase fair value by 250
Private equity partnerships	12,556	Unit Price	Diverse[(a)]	Increased/(decreased) unit price (+/– 10% would (decrease)/increase fair values by 220
Debt securities	15,681	Discount Rate	7.5% – 10% (8.5%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by 520
Property	23,459	Capitalisation Rate	4.75%-5.25% (4.95%)	Increased/(decreased) capitalisation rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 800
		10-yr Compound Rental Market Growth Rates	0-3.1% (1.5%)	Increased/(decreased) 10-yr compound Rental Market Growth Rates (+/-10 basis points (bps)) would (decrease)/increase fair value by 900
		Discount Rate	6.5%-8% (7%)	Increased/(decreased) discount rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 600
Infrastructure	14,395	Discount Rate	7.6%-9.8% (8.9%)	Increased/(decreased) discount rate (+/-40 basis points (bps)) would (decrease)/increase fair value by 500
		Cash Flow Growth Rates	0%-4.7% (3.2%)	Increased/(decreased) cash flow growth rate (+/-10 basis points (bps)) would (decrease)/increase fair value by 600
Unlisted Equities	14,934	Market Multiples	Diverse[(b)]	Increased/(decreased) market multiples (+/– 10%) would (decrease)/increase fair values by 140
		Discount Rate	10.8%-12.5% (11.2%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by 320
		Revenue Growth rate	0%-4.0%(1.5%)	Increased/(decreased) revenue growth rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 250
		Terminal Value Growth Rate	2.0%-3.0%(2.5%)	Increased/(decreased) terminal value growth rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 200

(a) The range of inputs related to the Unit Price is not disclosed as the number of the unlisted investments results in a wide range of unrelated inputs.

(b) The range of inputs related to the Market Multiples is not disclosed as a variety of unrelated market multiples may be used including enterprise-value-to-sales, price-to-earnings, price-to-book and price-to-free-cash-flow.

AASB13(93)(d), (h)(i), (ii)

Description[2]	Fair value at 30 June 2019 $000	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value[3] $000
Unlisted Property Unit Trusts	25,125	Unit Price	Diverse[(a)]	Increased/(decreased) unit price (+/– 10% would (decrease)/increase fair values by 480
		Valuation Adjustment	10%-20% (15%)	Increased/(decreased) Valuation Adjustment (+/-10%) would (decrease)/increase fair value by 300
Private equity partnerships	13,556	Unit Price	Diverse[(a)]	Increased/(decreased) unit price (+/– 10% would (decrease)/increase fair values by 470
Debt securities	18,681	Discount Rate	6.5% – 9% (8.0%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by 590
Property	27,459	Capitalisation Rate	4.25%-5.05% (4.85%)	Increased/(decreased) capitalisation rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 900
		10-yr Compound Rental Market Growth Rates	0-4.1% (2.5%)	Increased/(decreased) 10-yr compound Rental Market Growth Rates (+/-10 basis points (bps)) would (decrease)/increase fair value by 1,000
		Discount Rate	5.5%-7% (6%)	Increased/(decreased) discount rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 700
Infrastructure	17,395	Discount Rate	6.6%-8.8% (8.2%)	Increased/(decreased) discount rate (+/-40 basis points (bps)) would (decrease)/increase fair value by 600
		Cash Flow Growth Rates	0%-5.7% (4.2%)	Increased/(decreased) cash flow growth rate (+/-10 basis points (bps)) would (decrease)/increase fair value by 700
Unlisted Equities	18,934	Market Multiples	Diverse[(b)]	Increased/(decreased) market multiples (+/– 10%) would (decrease)/increase fair values by 200
		Discount Rate	10.1%-11.5% (10.5%)	Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by 380
		Revenue Growth rate	1%-5.0% (2.5%)	Increased/(decreased) revenue growth rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 300
		Terminal Value Growth Rate	2.0%-4.0% (3%)	Increased/(decreased) terminal value growth rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 250

(a) The range of inputs related to the Unit Price is not disclosed as the number of the unlisted investments results in a wide range of unrelated inputs.

(b) The range of inputs related to the Market Multiples is not disclosed as a variety of unrelated market multiples may be used including enterprise-value-to-sales, price-to-earnings, price-to-book and price-to-free-cash-flow

Fair Value Measurement

AASB13(93)(d)

1. Entities must describe the valuation technique(s) and inputs used in the fair value measurement for all recurring and non-recurring fair value measurements of financial instruments that are categorised within level 2 and level 3 of the fair value hierarchy. If there has been a change in valuation technique, the entity should disclose the change and the reason for making it.

AASB13(93)(d)

2. For fair value measurements categorised within level 3 of the hierarchy, the entity must also provide quantitative information about the significant unobservable inputs used, unless quantitative inputs are not developed by the entity when measuring fair value (e.g. if the entity uses prices from prior transactions or third-party pricing information without adjustment).

AASB13(93)(h)

3. For all recurring fair value measurements that are classified as 'level 3' entities must provide information about the sensitivity of the fair value measurement to changes in unobservable inputs:
   (a) For all such measurements: a narrative description of the sensitivity if a change in unobservable inputs could result in significantly higher or lower fair values and a description of any interrelationships between those inputs and other unobservable inputs and how these interrelationships could magnify or mitigate the effect of changes in the inputs.
   (b) For financial assets and financial liabilities, if changing one or more unobservable inputs would change fair value significantly, entities shall disclose the effect of reasonably possible changes in assumptions and how the effect was calculated.

   For the non-financial assets included in the table above, we have included the quantitative impact for the non-financial assets as a best practice, though this would not be required under AASB 13.

Appendix C – Abbreviations

Abbreviations used in this publication are set out below.

AASB	Australian Accounting Standards Board
AASB (Number)	Accounting Standards issued by the AASB
AASB (Number)R	Revised accounting standard – not yet operative
AASB-I (Number)	Interpretations issued by the AASB
ABN	Australian Business Number
AFSL	Australian Financial Services Licence
AGS	Auditing Guidance Statements
AIFRS	Australian equivalents to International Financial Reporting Standards
APRA	Australian Prudential Regulation Authority
APES	Standards issued by the Accounting Professional & Ethical Standards Board (APESB)
APS	Miscellaneous Professional Statements
ASA	Auditing Standards issued by the AUASB under the *Corporations Act 2001*
ASIC	Australian Securities and Investments Commission
AUASB	Auditing and Assurance Standards Board
CA	*Corporations Act 2001*
CR	Corporations Regulations 2001
DB	Defined benefit
DC	Defined contribution
DP	Discussion Papers
ED	Accounting Exposure Drafts
FRC	Financial Reporting Council
FVTPL	(Financial assets/liabilities at) fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
GPFS	General Purpose Financial Statements
GS	Guidance Statements issued by the AUASB
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAA	The Institute of Chartered Accountants in Australia
IFRIC	Interpretations issued by the IFRS Interpretations Committee of the IASB
IFRS	International Financial Reporting Standards
SIS	Superannuation Industry (Supervision) Act 1993
SPS	Superannuation Prudential Standard
UIG	Urgent Issues Group
UIG (Number)	UIG Interpretations

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