VALUE ACCOUNTS Superannuation Fund

Annual financial reporting

June 2023

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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 March 2023. 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 ('AAS')
- 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 2023 is for illustrative purposes and should be used in conjunction with the relevant legislation, standards and other reporting pronouncements.

VALUE ACCOUNTS Superannuation Fund

Annual financial reporting 2023

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 March 2023 that are operative for periods commencing from 1 July 2022.

The purpose of this publication is to highlight disclosure requirements and provide sample disclosures required by AASB 1056 *Superannuation Entities* ('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* ('AASB 7') 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 preparation of financial statements and disclosure requirements of AASB 1056 and other AAS requirements. The source for each disclosure requirement is given in the reference column.

The appendices provide further information on Australia's financial reporting regime, including a list of accounting and reporting pronouncements on issue from 1 July 2022 to 31 March 2023, listed in Appendix D. Abbreviations used in this publication are listed in Appendix F.

Value Accounts structure and materiality

The structure used in our VALUE ACCOUNTS Superannuation Fund 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 Fund publication is a reference tool, so we have 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 members' decision making.

New disclosures illustrated this year

There were only a few revisions to the financial reporting requirements applicable this year, and none of them have had any impact on VALUE ACCOUNTS Superannuation Fund disclosures.

Our fact pattern further assumes that VALUE ACCOUNTS Superannuation Fund will not be affected by the interest rate benchmark reforms.

There are only a limited number of amendments to the accounting standards that became applicable from 1 July 2022 to 31 March 2023 and that entities will need to consider in the preparation of annual financial reports for periods commencing after that date.

New disclosures illustrated for trustee annual reports only

The introduction of an amendment to the Superannuation (Industry) Supervision Act 1993 (Cth) (SIS Act) in sections 56 and 57 on 17 December 2020, and effective from 1 January 2022, has resulted in Trustees being prohibited from using the assets of the superannuation fund to pay for any penalties imposed on the Trustee.

For further details when considering the preparation of an annual report for trustees, refer to **Appendix C**.

ASIC Areas of Focus

The 'relevant' ASIC Areas of Focus for superannuation entities are integrated within the value accounts in relevant notes and disclosures. For details on ASIC Areas of Focus, please refer to ASIC's website. The latest available ASIC Areas of focus at the time of issue of this publication is for the year ended 31 December 2022.

In December 2022, ASIC released its areas of focus for December 2022 year ends. ASIC expects directors, preparers of financial reports and auditors to pay particular attention to the areas listed below.

ASIC Area of Focus	Nature	Impact
Asset Values	Matters that may require specific focus include in relation to asset values in current environment include: 1. Impairment of non-financial assets 2. Values of property assets. 3. Expected credit losses on loans and receivables 4. Values of other assets.	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.
Events occurring after year end and before completing the financial report	Events occurring after year-end and before completing the financial report should be reviewed as to whether they affect assets, liabilities, income or expenses at year-end or relate to new conditions requiring disclosure.	For superannuation funds, it is expected that events subsequent to the year end are appropriately accounted for and disclosed. For example, subsequent events impacting the judgements and assumptions in respect of level 3 investments may arise, and should be monitored closely.
Disclosures in the financial report and Operating and Financial Review ('OFR')	Disclosures should be specific to the circumstances of the entity, its business, its assets and its financial position and performance. The financial report should explain uncertainties, key assumptions and sensitivities. This will assist investors in understanding the approach taken, understanding potential future impacts and making comparisons between entities in order to inform the decision-making of investors. ASIC has further reminded entities that non-IFRS financial information must not be presented in a potentially misleading manner.	Effective disclosure in an operating and financial review to ensure appropriate disclosures are included in the Financial Statements of entities. They should also: • Disclose how the funds are impacted by economic and market conditions, the COVID-19 pandemic and changing circumstances. • Explain the underlying drivers of the results and financial position, as well as risks, management strategies and future prospects. • Include and give appropriate prominence to significant factors. • ASIC has specifically identified climate change risk as having potential a material impact on the future prospects of entities and suggests directors consider disclosing the information recommended by the Task Force on Climate-related Financial Disclosures. Refer to Appendix E for climate-related disclosure considerations. • Consider cyber security risks such as loss of personal data, denial of service attack and how this may impact revenue.

Impacts of rising inflation and interest rates

Many entities are experiencing the effect of rising inflation and interest rates which touch all aspects of an entity's business, including increasing wages, changes in customer behaviour and credit risk, negotiations of contract terms, and investment and financing decisions. In turn, the effect on the financial statements is likely to be equally widespread, and companies need to consider the accounting implications when preparing financial statements for 30 June 2023.

Rising inflation and interest rates will affect fair value measurements, expected future cash flow estimates, discount rates used to determine present value of cash flows, impairment indicators and impairment tests. Rising inflation and interest rates may also cause significant estimation uncertainty in relation to the measurement of both short and long duration assets and liabilities. Entities may therefore also need to consider new or expanded disclosures in this area.

For guidance, see our In depth INT2022-12 *Navigating IFRS Accounting Standards in periods of rising inflation and interest rates*.

Disclosing climate-related risks in the financial statements

The impact of climate change on financial statements is a high-profile issue. Investors and regulators are increasingly looking for evidence that the entity has incorporated environmental, social and governance ('ESG') matters and in particular climate-related risk factors when making estimates and judgements in the preparation of the financial statements. Climate-related risk could include both transition impacts, for example additional costs incurred by the entity as a result of transitioning to a low-carbon economy, or physical impacts, such as damage to assets as a result of fires and flooding.

The accounting standards have an overarching requirement to disclose information that users need for them to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Therefore, in light of the current focus on, and impact of, climate change, entities should ensure that they have assessed the impact of climate change and what disclosures are necessary in this context for the financial statements to comply with AAS requirements.

To help preparers and auditors identify where additional disclosures may be required, we have included a new Appendix I which discusses how climate change could affect certain measurements and therefore the related disclosures in the financial statements. The appendix further outlines what entities should consider when making estimates and judgements and drafting the relevant disclosures to satisfy the current AAS requirements. We have also provided signposts with hyperlinks throughout the publication as reminders for readers to refer to this guidance where necessary.

Task Force on Climate-Related Financial Disclosures (TCFD)

In November 2022, APRA released the Draft Prudential Practice Guide SPG 530 *Investment Governance* ('SPG 530') which comes into effect on 1 January 2023 and includes new and additional guidance on liquidity management, stress testing, valuation practices and how ESG matters should be considered by trustees in the context of its investment risk management strategy. These changes should inform the context for how trustees consider the impact of climate change-related impacts on financial reporting disclosure.

The accounting standards have an overarching requirement to disclose information that users need for them to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Therefore, in light of the current focus on, and impact of, climate change, entities should ensure that they have assessed the impact of climate change and what disclosures are necessary in this context for the financial statements to comply with AAS requirements.

To help preparers identify where additional disclosures may be required, we have included a new Appendix E which discusses how climate change could affect certain measurements and therefore the related disclosures in the financial statements. The appendix further outlines what entities should consider when making estimates and judgements and drafting the relevant disclosures to satisfy the current AAS requirements. We have also provided signposts with hyperlinks throughout the main publication as reminders for readers to refer to this guidance where necessary.

Early adoption of standards

VALUE ACCOUNTS Superannuation Fund generally only adopts standards early if they clarify existing practice, such as the amendments made by the AASB as part of the improvements programme, but do not introduce substantive changes.

As required under Australian Accounting Standards, the impacts of standards and interpretations that have not been early adopted and that are expected to have a material effect on the entity are disclosed in accounting policy note 2(a)(iii). A summary of all pronouncements relevant for annual reporting periods ending on or after 30 June 2023 is included in Appendix D. For updates after the cut-off date for our publication, see www.viewpoint.pwc.com.

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. 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 this.
- 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.
- For the purposes of meeting the requirements of Superannuation Prudential Standard 114 *Operational Risk Financial Requirement* ('SPS 114'), the Operational Risk Financial Requirement ('ORFR') target level is 25 basis points of net assets and is fully funded.[1]
- The Fund does not have any investments that are controlled entities.
- During the year, the Fund engaged in a Successor Fund Transfer[2] ('SFT') with ABC Defined Contribution Fund (ABC Fund), a defined contribution fund. The Fund has signed a Memorandum of Understanding to pursue a SFT with the ABC Fund. The ABC Fund will transfer all of its assets, liabilities, members' liabilities and equity into the Fund and ABC Fund will subsequently terminate. This SFT has not been completed as at 30 June 2023.
- During the year, the Fund had completed a SFT with XYZ Defined Contribution Fund (XYZ Fund), a defined contribution fund. The Fund had signed a Memorandum of Understanding and completed the SFT with the XYZ Fund. The XYZ Fund has transferred all of its members' assets and liabilities into the Fund and had subsequently terminated. This SFT was completed as at 30 June 2023.
- In the SFT events outlined above:
    - prior to the SFT taking place, the outgoing and incoming trustee have agreed that the receiving successor fund will provide members with 'equivalent rights' to those the members in the outgoing fund had prior to the transfer,
    - ABC and XYZ funds are expected to terminate and their assets, liabilities and reserves will be carried across at fair value through profit or loss,
    - there were no deferred tax assets or deferred tax liabilities included as part of the transfer,
    - operationally, there have been no transfer or changes to employees, systems, processes and service organisation and service providers of the transferor, subsequent to the SFT,
    - The net assets of the transferees (ie, ABC Fund and XYZ Fund) are not originally held in deficit prior to the SFT, and
    - the net assets attributable to defined contribution members involved in the SFT have been substantially allocated and therefore there were no unallocated amounts from the SFT, required to be shown in the statement of financial position.
    - The SFT illustrated above is not considered a business combination, where an SFT is considered a business combination, the accounting would differ to this illustration with reference to AASB 3 *Business Combinations*.

As required under AAS requirements, 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.

Feedback

We welcome your feedback on the format and content of these value accounts. Please contact us at IFRS Communications or speak to your usual PwC representative to let us know your thoughts.

[1] *In accordance with SPS 114 – Operational Risk Financial Requirement, APRA expects a soundly run RSE licensee that has implemented an effective risk management framework to have an ORFR target amount that is equivalent to at least 0.25 per cent of funds under management (FUM). For the purposes of calculating the ORFR target amount, APRA views FUM as the total of asset balances of each RSE within the RSE licensee's business oper*ations.

[2] *A Successor Fund Transfer (SFT) occurs when member accounts are transferred from one registrable super entity (RSE) to another RSE with a different Australian business number (ABN) without their members' consent.*

VALUE ACCOUNTS Superannuation Fund

ABN 43 251 987 634

AASB101(49)(51)(a)
AASB101(51)(c)

Annual report – 30 June 2023

Financial statements

Accounting standard for financial statements presentation and disclosures

AASB1056(2)

1. AASB 1056 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 such as AASB 101 *Presentation of Financial Statements* ('AASB 101').

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'. The 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. The 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* ('AASB 10'). However, where that is the case, additional disclosures will be required under AASB 12 *Disclosure of Interests in Other Entities* ('AASB 12'). 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.

AASB 1056(8a)

Statement of financial position [1-19]

		Notes	2023 $'000	20222 $'000
	Assets [1-9]			
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 [10-11]	3	**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 [1-9]			
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 [10-11]	3	**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 [12-16]	8	**13,466,064**	13,123,035
AASB1056(14),(32),(AG10)	Defined benefit ('DB') member liabilities [12-16]	8	**1,338,687**	1,785,770
	Total net assets (liabilities)		**(111,373)**	151,128
AASB101(54)(r)	**Equity** [18-19]			
	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 (Aus 11.1)
AASB101(10)

1. Requirements for the presentation of the statement of financial position are primarily included in AASB 101. The standard applies to each entity which is required to prepare financial statements in accordance with Part 2M.3 of the *Corporations Act 2001*, general purpose financial statements of each reporting entity, and to financial statements that are, or are held out to be, general purpose financial statements.

Information to be disclosed In the statement of financial position:

AASB101,(54)(55)

2. Paragraph 54 of AASB 101 sets out the line items that shall as a minimum be presented in the statement of financial position. Additional line items, headings and subtotals shall be presented in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.

AASB101(54)

3. As a minimum, the statement of financial position shall typically include line items that present the following amounts (not all being applicable to a typical superannuation fund):
   - **(a)** property, plant and equipment
   - **(b)** investment property
   - **(c)** intangible assets
   - **(d)** financial assets (excluding amounts shown under separate lines)
   - **(e)** investments accounted for using the equity method
   - **(f)** trade and other receivables
   - **(g)** cash and cash equivalents
   - **(h)** the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* ('AASB 5')
   - **(i)** trade and other payables
   - **(j)** provisions
   - **(k)** financial liabilities (excluding amounts shown under separate lines)
   - **(l)** liabilities and assets for current tax, as defined in AASB 112 *Income Taxes* ('AASB 112')
   - **(m)** deferred tax assets and liabilities, as defined in AASB 112
   - **(n)** liabilities included in disposal groups classified as held for sale in accordance with AASB 5
   - **(o)** non-controlling interest, and
   - **(p)** issued capital, reserves and retained earnings attributable to owners of the parent.

AASB101(77)(78)

4. An entity shall disclose, either in the statement of financial position or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations. The detail provided in sub-classifications depends on the AAS requirements and on the size, nature and function of the amounts involved. The statement of financial position of the Fund shows an immaterial amount of 'other assets' and 'other liabilities'. However, if these were material, further details should be disclosed either in the statement of financial position or in the notes.

Either in the statement of financial position or in the notes

AASB7(8)

5. The carrying amounts of each of the following categories, as specified in AASB 9, shall be disclosed either in the statement of financial position or in the notes:
   - **(a)** financial assets at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently, and (ii) those mandatorily measured at fair value through profit or loss
   - **(b)** financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently and (ii) those that meet the definition of held for trading.

Statement of financial position

AASB1056(6)

(c) financial assets measured at amortised cost.

(d) financial liabilities measured at amortised cost.

AASB101(60)

(e) financial assets measured at fair value through other comprehensive income, showing separately (i) debt instruments that are measured at fair value through other comprehensive in accordance with paragraph 4.1.2A of AASB 9; and (ii) investments in equity instruments designated as such upon initial recognition

In addition to the above disclosures, AASB 7 *Financial Instruments: Disclosures* ('AASB 7') provides further guidance on the disclosures that shall be included for assets and liabilities, as set out in the commentary to note 2 and note 3 to the financial statements

Set out below is additional guidance on requirements that are specific to AASB 1056 and superannuation entities.

Current/non-current vs liquidity presentation

6. 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.

7. 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)

8. 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.

9. The 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 defined contribution and defined benefit member liabilities.

   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)

10. 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)

11. 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* ('AASB 13').

Member liabilities

AASB1056(14)

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

AASB1056(15)

13. 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)

14. 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)

15. 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)

16. 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

Statement of financial position

consider separately presenting line items in the statement of financial position for each of the different membership types in respect of member liabilities.

Insurance arrangements

AASB1056(33)

17. A superannuation entity which is exposed to significant 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 significant insurance risk refer to Appendix A.

AASB1056(AusBC20)

With the issuance of AASB 17 *Insurance Contracts* ('AASB 17'), the AASB were aware that a superannuation entity 'acting in the capacity of an insurer' would apply AASB 1056 requirements as it overrides AASB 17. AASB 1057 *Application of Australian Accounting Standards* ('AASB 1057') was also amended to clarify that superannuation entities should not apply AASB 17.

Equity

AASB1056(AG8)
AASB101(55)

18. Where a superannuation entity's total assets differ 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. The Fund has chosen to present a breakdown of its reserve balances in the statement of changes in equity.

AASB1056(AG9)

19. 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 [1-12]

Reference		Notes	2023 $'000	2022 $'000
	Superannuation activities [3-8]			
AASB1056(AG13), (AG29)(a)	Interest income		**186,045**	379,652
AASB1056(AG13), (AG29)(a)	Dividend income		**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** [12]		**(100,340)**	(139,508)
	Results from superannuation activities before income tax expense [3-8]		**103,353**	125,937
AASB1056(9)(f)	Income tax expense [10]	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. Requirements for the presentation of a statement of comprehensive income are set out in AASB 101. The standard applies to each entity which is required to prepare financial statements in accordance with Part 2M.3 of the Corporations Act 2001, general purpose financial statements of each reporting entity, and financial statements that are, or are held out to be, general purpose financial statements.

   While the standard now refers to the statement as 'statement of profit or loss and other comprehensive income', entities are permitted to retain the previous title of 'statement of comprehensive income'. 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 and AASB 107 *Statement of Cash Flows* ('AASB 107').

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.

AASB101(32)
AASB101(35)

Income and expense items are not offset unless the criteria in AASB 101 paragraph 32 are met.

5. Examples of income and expense that are required or permitted to be offset, as applicable to superannuation funds, are gains and losses arising from a group of similar transactions reported on a net basis, for example, losses arising on financial instruments at fair value through profit or loss.

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 significant 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 significant insurance risk refer to Appendix A.

AASB1056(AusBC20)

With the issuance of AASB 17, the AASB were aware that a superannuation entity 'acting in the capacity of an insurer' would apply AASB 1056 requirements as it overrides AASB 17. AASB 1057 was also amended to clarify that superannuation entities should not apply AASB 17.

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.

Withholding taxes

AASB112(2),(77)

IFRS IC Agenda decisions March 2006 and May 2009

AASB101(122)

10. Dividend income is recognised gross of any withholding taxes paid and franking credits. Consideration should be given to the appropriate presentation of withholding tax expense in the statement of comprehensive income. Withholding tax deducted at the source might be within the scope of AASB 112. This is likely to occur where the withholding tax is calculated based on a net amount of profit (for example, on net profits or dividends of the investment). Where a preparer has determined that the withholding tax is within the scope of AASB 112, it should be present such withholding taxes within the tax expense line. As withholding tax expense is not material for the Fund, it has not been disclosed separately.

Transaction costs

AASB9(5.1.1)

11. 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]

		Notes		DC member benefits $'000	DB member benefits $'000	Total $'000
	Balance at 1 July 2022			**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
	Successor fund transfer – XYZ Fund	14, 20		-	-	-
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 2022	8		**13,123,035**	**1,785,770**	**14,908,805**

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

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 2022 [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
	Successor fund transfer – XYZ Fund	14, 20		XXX,XXX	XXX,XXX	XXX,XXX
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)
	Benefit payments – successor fund transfer			XXX	XXX	XXX
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 2023	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 from/to the entity from/to other superannuation entities (including SFTs)
   - **(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 are 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. The 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 issued contracts with significant insurance risk, as holders of an insurance contract

AASB1056(AG43)(b)

10. If the superannuation entity is not exposed to significant 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 significant insurance risk in accordance with AASB 1056.

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 2021	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 2022	**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)**
Successor fund transfer from XYZ Fund	X, XXX	X.XXX	X,XXX	X,XXX	-	-	**X,XXX**
Operating result	15,070	25,860	29,463	70,393	(300,394)	3,600	**(226,401)**
Balance at 30 June 2023	**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* ('AASB 132').

AASB1056(AG8)

2. However, where a superannuation entity's total assets differ 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 AAS requirements.

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 [20-22]

		Notes	2023 $'000	2022 $'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
or	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. AASB 101 requires that the financial statements include a statement of cash flows.
2. Requirements for the presentation of a statement of cash flows are set out in AASB 107. The standard applies to each entity which is required to prepare financial statements in accordance with Part 2M.3 of the *Corporations Act 2001*, general purpose financial statements of each reporting entity, and to financial statements that are, or are held out to be, general purpose financial statements.

Information to be disclosed

AASB107(6)
AASB107(15)

3. The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.

AASB107(43)

4. Appendix A illustrates the additional presentation and disclosure required for entities exposed to significant insurance risk.

Cash or cash equivalents

5. Paragraph 6 of AASB 107 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.
6. The 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.

Non-cash investing and financing transactions

7. Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

Where no cash flows

8. A statement of cash flows must be included in the financial statements even if there are no cash flows (and no cash or cash equivalent balances). Preferably, the statement should include the minimum line items that are required to be presented under AASB 107, with zero amounts for the current and comparative period. However, it may also be acceptable to replace the individual line items with an explanation that there were no cash flows during the current and previous financial years, provided this explanation is given under the heading of ‘statement of cash flows’ and is presented as part of the financial statements, before the notes to the financial statements.

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 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 the 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 ‘Trust Deed’). 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. The Trustee holds an Australian Financial Services Licence (‘AFSL’) and is a Registrable Superannuation Entity (‘RSE’).

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 2023. The directors of the Trustee have the power to amend and re-issue these financial statements.

During the year, the Trustee conditionally approved the successor fund transfer (‘SFT’) of members for all assets and liabilities of the ABC Fund, a fully defined contribution fund. This merger has not been completed as at 30 June 2023. For further details, refer to subsequent event reported in note 17.

During the year, the Trustee conditionally approved the SFT of members for all assets and liabilities of the XYZ Fund, a fully defined contribution fund. This merger has been completed as at 30 June 2023. For further details of the SFT, refer to note 20.

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)
Consider impact of climate change – see Appendix E

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 2022 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

AASB108(30)

New accounting standards and interpretations not yet applicable as at the reporting date

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 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.

AASB101(119)

(b) Financial instruments

AASB7(21)
AASB1056(13)

(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 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[1-2]

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.

Definition of cash and cash equivalents

1. In accordance with paragraph 7 of AASB 107, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

   Short-term investments will meet the definition of 'cash equivalents' and will be presented as cash equivalents only where they are held as a means of settling 'existing or potential cash commitments' in the near term, and not as an investment or for any other purpose.

   Judgement might be required in some cases to conclude whether a particular asset should be classified as a cash equivalent. This will depend on the facts and might include consideration of the commercial reason for holding the asset, past practice and management intention.

Short-term investments

2. Many short-term instruments are readily convertible to known cash amounts, but only highly liquid instruments that are subject to insignificant risk of changes in value can be classified as cash equivalents.

   The term 'readily convertible' implies that the investment would be convertible into cash without an undue period of notice and without incurring a significant penalty.

   An investment with a maturity period of three months or less from the acquisition date will generally qualify as a cash equivalent, provided it is used for cash management purposes.

   An investment will not become a cash equivalent when its remaining maturity period becomes three months or less, because the maturity period is measured from the acquisition date.

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 1997*, 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 including successor fund transfer

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. For successor fund transfer, refer to note 20 for details.

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).

(m) Rounding of amounts

AASB101(51)(e)

All values in the financial report are rounded to the nearest million dollars, exception where 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 [1-38]

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)

Consider impact of climate change – see Appendix E

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. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Section (ii) below sets out how this component of price risk is managed and measured.

The Trustee mitigates price risk through diversification, the use of over the counter ('OTC') option contracts, and a careful selection of securities and other financial instruments within specified limits set by the Board, to hedge the Funds exposure to price risk. Between 70% and 120% of the net assets attributable to unitholders are invested in equity securities and related derivatives.

The majority of the Fund's equity investments are publicly traded and are included in the ASX 200 Index, the NYSE International 100 Index or the FTSEurofirst 300 index. Compliance with the Fund's Product Disclosure Statement and the Fund's tracking error with reference to the MSCI World Index, which is the Fund's target benchmark, is reporting to the Board on a monthly basis.

The Fund's policy also limits individual equity securities no to more than 5% of net assets attributable to unitholders. The Fund had no concentrations in individual equity positions exceeding 4% (2022: 5%) of the net assets attributable to unitholders at 30 June 2023.

AASB7(34)

At 30 June 2023, the fair value of equities and related derivatives exposed to price risk were as follows:

	Note	2023 $'000	2022 $'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 2023		30 June 2022	
	US Dollars A$'000	**Euro A$'000**	**US Dollars A$'000**	**Euro A$'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.

	30 June 2023			
	Floating interest rate A$'000	Fixed interest rate A$'000	Non-interest bearing A$'000	Total A$'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 2022
	Floating interest rate A$'000	Fixed interest rate A$'000	Non-interest bearing A$'000	Total A$'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

AASB2020-8

[Entities with loans that are referenced to a benchmark interest rate subject to IBOR reform may need to provide additional IBOR reform disclosures.][2]

AASB7(40)

(b) Summarised sensitivity analysis [1]

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	-10 bps	+25 bps
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2023	**(2,051,612)**	**1,025,807**	**(49,212)**	**49,212**	**(58,916)**	**58,916**	**10,709**	**(26,774)**

	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	-10 bps	+25 bps
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2022	(1,418,195)	709,097	(39,029)	39,029	(36,748)	36,748	98,548	(98,448)

The impacts of rising inflation and interest rates – sensitivity

1. Rising inflation and interest rates, as well as other market changes that can accompany rising rates, may introduce new challenges when preparing financial statements and increase the relevance of some disclosures.

In light of rising inflation and interest rates, an entity may need to:

- Reassess materiality judgements as previously immaterial items may become material.
- Make significant judgements and estimates about future cash flows considering a wide range of outcomes.
- More frequently reassess the facts and circumstances considered in its accounting assessments.
- Rely less on (or adjust) historic trend information in making predictions about the future.
- Provide additional disclosures about the impact that rising inflation and interest rates are having on the entity's business.

In a period of rising inflation and interest rates, an entity may need to provide additional disclosures or update existing disclosures. For example, sensitivity disclosures would need to be updated if the magnitude of a reasonably possible change in interest rates is different from previous periods. Where there are changes in expected volatility, prior year disclosures should not be restated. An entity could choose, however, to present additional sensitivity information for the comparative period in addition to the required comparative figures from the prior year.

In a difficult economic climate, it is likely that entities will encounter increasing margin calls on derivatives requiring the posting of collateral, which can pose a significant liquidity risk. If collateral calls pose a significant liquidity risk, entities need to provide quantitative disclosures of their collateral arrangements to explain how this liquidity risk is managed. The carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities should also be disclosed together with the terms and conditions relating to its pledge.

AASB 7 does not limit disclosure of risks to only credit risk, liquidity risk and market risk. Hence, an entity may need to provide specific disclosures relating to inflation risk if this information is not already captured in other market-risk disclosures. For example, if an entity has an inflation-linked financial instrument, the sensitivity of such an instrument to changes in inflation rates should be disclosed.

(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 2023 and 30 June 2022, 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 Credit 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 2023 $'000	30 June 2022 $'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.

AASB7(33)(b) (iv) Cash and cash equivalents

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 Credit Rating Agency Limited) or higher.

AASB7(33)(b) (v) Assets in custody

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 2023 (30 June 2022: 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 show 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 2023

		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 2022				
		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 *Financial Instruments: Disclosures* ('AASB 7'). We have provided commentary explaining these requirements below.

AASB7(3)

2. AASB 7 is applicable to all reporting entities and to all types of financial instruments except:

   (a) those interests in subsidiaries, associates, and joint ventures that are accounted for under AASB 10 *Consolidated Financial Statements* ('AASB 10'); AASB 127 *Separate Financial Statements* ('AASB 127') or AASB 128 *Investments in Associates and Joint Ventures* ('AASB 128'). However, in some cases, AASB 10, AASB 127 or AASB 128 require or permit an entity to account for an interest in a subsidiary, associate or joint venture using AASB 9. In those cases, entities shall apply the requirements of AASB 7 and, for those measured at fair value, the requirements of AASB 13. Entities shall also apply this Standard to all derivatives linked to interests in subsidiaries, associates or joint ventures unless the derivative meets the definition of an equity instrument in AASB 132.

   (b) employers' rights and obligations under employee benefit plans, to which AASB 119 *Employee Benefits* ('AASB 119') applies.

AASB1056(AusBC20)

   (c) insurance contracts as defined in AASB 17. With the issuance of AASB 17, the AASB were aware that a superannuation entity 'acting in the capacity of an insurer' would apply AASB 1056 requirements as it overrides AASB 17. AASB 1057 Application of Australian Accounting Standards ('AASB 1057') was also amended to clarify that superannuation entities should not apply AASB 17. However, AASB 7 applies to derivatives that are embedded in insurance contracts if AASB 9 requires the entity to account for them separately.

   (d) financial instruments, contracts and obligations under share-based payment transactions to which AASB 2 *Share-based Payment* ('AASB 2') applies, except for contracts within the scope of paragraphs AASB 9 which must be disclosed under AASB 7.

   (e) puttable financial instruments that are required to be classified as equity instruments in accordance with paragraphs 16A and 16B or 16C and 16D of AASB 132.

AASB7(4)

AASB 7 applies to both recognised and unrecognised financial instruments, even if the financial instruments are not recognised under AASB 9. For example, some loan commitments are outside AASB 9's scope but within the scope of AASB 7 because they expose an entity to financial risks such as credit and liquidity risk.

AASB132(11)
AASB7(7)

3. However, AASB 7 does not apply to the following items as they are not financial instruments as defined in paragraph 11 of AASB 132:

   (a) prepayments made/advances received (right to receive future good or service, not cash or a financial asset)

   (b) tax receivables and payables and similar items (statutory rights or obligations, not contractual), or

   (c) deferred revenue and warranty obligations (obligation to deliver good or service, not cash or financial asset)

Parent entity disclosures

4. Where applicable, all disclosure requirements outlined in AASB 7 must be made for both the parent and consolidated entity when presenting both parent and consolidated information.

AASB7(6),(B1)-(B3)

Classes of financial instruments

When this Standard requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.

The classes are determined by the entity and are, thus, distinct from the categories of financial instruments specified in AASB 9 (which determine how financial instruments are measured and where changes in fair value are recognised).

Financial risk management

In determining classes of financial instrument, an entity shall, at a minimum, distinguish instruments measured at amortised cost from those measured at fair value and treat as a separate class or classes those financial instruments outside the scope of this Standard.

An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of this Standard, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks

AASB7(34)(a)

Level of detail and selection of assumptions – information through the eyes of management

5. The disclosures in relation to the financial risk management of an entity should reflect the information provided internally to key management personnel. As such, the disclosures that will be provided by an entity, their level of detail and the underlying assumptions used will vary from entity to entity. The disclosures in the illustrative financial statements are only one example of the kind of information that may be disclosed and you should consider carefully what may be appropriate in your individual circumstances.

AASB7(31),(32)

Nature and extent of risks arising from financial instruments

6. The financial statements shall include qualitative and quantitative disclosures that enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of each reporting period. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

AASB7(33)

Qualitative and Quantitative disclosures

7. The qualitative disclosures shall discuss for each type of risk:
   - **(a)** the exposures to the risk and how they arise
   - **(b)** the entity's objectives, policies and processes for managing the risk and the methods used to measure the risk, and
   - **(c)** any changes in (a) or (b) from the previous period.

AASB7(32A)

8. They shall also enable users to form an overall picture of the nature and extent of risks arising from financial instruments by providing a link to related quantitative disclosures.

AASB7(34)(a),(c)

9. An entity shall provide for each type of risk, summary quantitative data on risk exposure at the end of each reporting period, based on information provided internally to key management personnel and any concentrations of risk. This information can be presented in narrative form. Alternatively, entities could provide the data in a table which sets out the impact of each major risk on each type of financial instruments. This table can also be a useful tool for compiling the necessary information that must be disclosed under paragraph 34 of AASB 7.

AASB7(B8)

10. An entity should disclose concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. Disclosure of concentrations of risk shall include:
    - **(a)** a description of how management determines concentrations
    - **(b)** a description of the shared characteristic that identifies each concentration (e.g., counterparty, geographical area, currency or market), and
    - **(c)** the amount of the risk exposure associated with all financial instruments sharing that characteristic.

11. As stated in note 3(a)(i), the Fund manages concentrations of price risk diversification, a careful selection of securities and the use of exchange-traded and OTC derivatives to hedge the Fund's exposure to price risk. To satisfy the requirements of AASB 7 paragraph 34(c), the Fund discloses an analysis of the investments held, outlining the type of financial instrument held and its net exposure to price risk.

Financial risk management

AASB7(34)(b)

12. If not already provided as part of the summary quantitative data, the entity shall also provide the information in the paragraphs included within section "Credit Risk" until "Market risk exposures for fund-of-fund arrangements" below, unless the risk is not material.

AASB7(36)

Credit risk

13. For each class of financial instrument but to which the impairment requirements of AASB 9 are not applied, the entity shall disclose:

    (a) the maximum exposure to credit risk (not required for instruments whose carrying amount best represents the maximum exposure to credit risk), and

14. a description of collateral held as security and of other credit enhancements, and their financial effect, in respect of the amount that best represents the maximum exposure to credit risk (e.g., a quantification of the extent to which collateral and other credit enhancements mitigate credit risk).

AASB7(34)(a),(39)

Liquidity risk

15. Information about liquidity risk shall be provided by way of:

    (a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities

    (b) a maturity analysis for derivative financial liabilities (see 'Maturity analysis' section below for details), and

    (c) a description of how the entity manages the liquidity risk inherent in (a) and (b) above.

    (d) The Fund discloses defined benefit member liabilities and defined contribution member liabilities in maturity analysis of non-derivative financial liabilities as this provides useful information to the overall liquidity risk.

AASB7(B11E)

16. An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk (for example, financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities), if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

    Financial institutions may use financial assets to manage their liquidity risk. In certain circumstances, the information is likely to be necessary to enable users of financial statements to evaluate the nature and extent of liquidity risk, in which case we would expect them to present a maturity analysis of financial assets.

    However, the disclosure requirements are not only relevant for financial institutions. Certain funds with significant trading activities (for example, actively managed funds) may hold financial assets to manage liquidity risk. Where such activities are a significant part of the entity's business, they should consider including a maturity analysis for assets.

AASB7(B11F)

17. In describing how liquidity risk is being managed, an entity should consider discussing whether it:

    (a) has committed borrowing facilities or other lines of credit that it can access to meet liquidity needs

    (b) holds deposits at central banks to meet liquidity needs

    (c) has very diverse funding sources

    (d) has significant concentrations of liquidity risk in either its assets or its funding sources

    (e) has internal control processes and contingency plans for managing liquidity risk

    (f) has instruments that include accelerated repayment terms (e.g., on the downgrade of the entity's credit rating)

    (g) has instruments that could require the posting of collateral (e.g., margin calls for derivatives)

    (h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares, or

    (i) Maturity analysis has instruments that are subject to master netting agreements.

Financial risk management

Maturity analysis

AASB7(B11B)

18. All financial liabilities must be included in the maturity analysis. The analysis should generally be based on contractual maturities. However, for derivative financial liabilities the standard provides entities with a choice to base the maturity grouping on expected rather than contractual maturities, provided the contractual maturities are not essential for an understanding of the timing of the cash flows. This could be the case for derivative contracts that are held for trading. However, for contracts such as interest rate swaps in a cash flow hedge of a variable rate financial asset or liability and for all loan commitments, the remaining contractual maturities will generally be essential for an understanding of the timing of the cash flows. These contracts would therefore be grouped based on their contractual maturities.

AASB7(B11D)

19. The amounts disclosed should be the amounts expected to be paid in future periods, determined by reference to the conditions existing at the end of the reporting period. However, AASB 7 does not specify whether current or forward rates should be used. PwC recommends the use of forward rates as they are a better approximation of future cash flows.

AASB7(B11C)(c)

20. The specific time buckets presented are not mandated by the standard but are based on what is reported internally to the key management personnel. For financial guarantee contracts, the maximum amount of the guarantee must be allocated to the earliest period in which the guarantee could be called.
21. As the amounts included in the maturity tables are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet, in particular as far as borrowings or derivative financial instruments are concerned. Entities can choose to add a column with the carrying amounts which ties in the balance sheet and a reconciling column if they so wish, but this is not mandatory.

AASB7(B10A)

22. If an outflow of cash could occur either significantly earlier than indicated or be for significantly different amounts from those indicated in the entity's disclosures about its exposure to liquidity risk, the entity shall state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk. This disclosure is not necessary if that information is included in the contractual maturity analysis.

AASB107(50)(a)

Financing arrangements

23. Committed borrowing facilities are a major element of liquidity management. Entities should therefore consider providing information about their undrawn facilities. AASB 107 also recommends disclosure of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.

AASB7(40)

Market risk – sensitivity analysis

AASB7(B27)

24. Entities shall disclose a sensitivity analysis for each type of market risk (currency, interest rate and other price risk) to which an entity is exposed at the end of each reporting period, showing how profit or loss and equity would have been affected by 'reasonably possible' changes in the relevant risk variable, as well as the methods and assumptions used in preparing such an analysis. The estimation of a reasonably possible movement is subjective and must be made through the eyes of management. In this example, we have assumed that the impact on operating profit is the same as the impact on net assets attributable to unitholders on the basis that the impact on fair values of financial instruments are unrealised and therefore there will be no impact on distributable income and the quantum distributed to unitholders. Where an entity has many different types of financial instruments, it should consider disclosing the impact on a line by line basis. Where applicable, the disclosure should also distinguish between changes affecting profit or loss and those recognised directly in equity.

AASB7(40)(c)

25. This example assumes that there has not been a change in the quantum of a reasonably possible change in the relevant index, the interest rate or foreign exchange rates from the previous period. If there have been any changes in methods and assumptions from the previous period, this must be disclosed together with the reasons for such a change.

Foreign exchange risk

AASB7(B23)

26. In accordance with paragraph B23 of AASB 7, foreign exchange risk arises on monetary items denominated in foreign currencies.

Financial risk management

Monetary versus non-monetary assets

The essential feature of a monetary item is a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency. Examples include financial assets such as; cash, fixed income securities and receivables and financial liabilities such as debt.

As a result of this definition, equity investments (being non-monetary items) are not treated as being subject to foreign currency risk.

The risk exposure and sensitivity analysis for non-monetary assets are included in price risk. Equity investments such as shares and holdings in other pooled vehicles (e.g., in fund-of-fund arrangements) should be disclosed as part of price risk and, under the standard, do not have exposure to interest rate or foreign currency risk (even though there may be underlying economic exposure).

AASB7(34)

27. However, as the AASB 7 disclosures are required to be presented based on the information provided to key management personnel, certain asset managers may view equity price risk and foreign exchange risk differently. In circumstances where management consider foreign currency risk to arise on equity securities and foreign currency risk is considered a component of price risk, it may be appropriate to present foreign currency risk on equity securities as part of foreign currency risk rather than price risk. The disclosures in note 3(a)(i) and (ii) have adopted this approach.

AASB7(B23)

28. Under paragraph B23 of the appendix of AASB 7, foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation related risks are therefore not included in the assessment of the entity's exposure to currency risk. Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the fund's presentation currency. However, foreign currency denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risk, because even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under AASB 121 is not fully eliminated.

AASB7(40)(c)

29. The disclosures in note 3(a)(ii) assumes that there has not been a change in the quantum of a reasonably possible change in foreign exchange rates against each currency. If there have been any changes in methods and assumptions from the previous period, this must be disclosed together with the reasons for such a change.

Interest rate risk

30. Sensitivity to changes in interest rates is relevant to the cash flows of financial assets or financial liabilities. For financial instruments bearing floating interest rates, the entity would disclose the effect on profit or loss (i.e., interest income/expense). For financial instruments bearing fixed interest rates, the entity would disclose the effect on profit or loss (i.e., change in fair value). Where the effect of interest rate risk is material for both financial instruments bearing floating interest rates and financial instruments bearing fixed interested rates, these should be disclosed separately. This was not disclosed for the Fund as it was not material.

31. Our fact pattern assumes that the Fund will not be affected by the interest rate benchmark reforms. However, entities with hedging relationships and entities that have exposure to interest rates where (i) the interest rates are dependent on interbank offered rates (IBORs), and (ii) these IBORs are subject to interest rate benchmark reform may need to provide additional IBOR reform disclosures. Our Practical guide to Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 for interest rate benchmark (IBOR) reform includes example disclosures which illustrate both 'phase 1' and 'phase 2' amendments to AASB 7 for a cash flow hedge and other financial instruments of a fund entity which applies AASB 9 to its hedge accounting relationships.

Financial risk management

AASB7(23)

Foreign currency hedging

32. Where the economic exposure to currency risk has been hedged e.g. using forward foreign currency contracts, this creates a mismatch, as the risk exposure of the equity security is subject to price risk and the risk exposure of the hedge derivative is subject to foreign currency risk. This can result in presentation of financial information that shows a greater exposure to changes in foreign currency than is actually the case i.e., the foreign currency risk disclosure shows only the hedge, without the offsetting underlying exposure. Under such circumstances, management could consider including qualitative information as part of the foreign currency risk disclosures and sensitivity analysis, which explains this mismatch and the Fund's net exposure to foreign currency risk.

Market risk exposures are not mutually exclusive

33. A superannuation fund's financial instruments may need to be considered as subject to multiple market risks. For example, interest bearing securities are typically classified as subject to fair value or cash flow interest rate risk, however, their exposure to foreign currency should also be considered and, where appropriate, disclosed under foreign currency risk.

Market risk exposures for fund-of-fund arrangements

AASB7(35)

34. There are often different approaches to the application of AASB 7 to fund-of-fund arrangements. This is because AASB 7 requires disclosures based on the information provided to key management personnel i.e., the format will be influenced by the way in which the risks are managed internally. Whilst there is no explicit requirement in AASB 7 to 'look through' to underlying investment vehicles, the standard indicates that risk exposures should be presented consistent to the way which management manage and monitor risk exposures. The majority of superannuation funds tend to disclose their exposure to an underlying fund as solely subject to price risk, even if the underlying fund may have significant indirect foreign currency and interest rate risk exposure. However, if management 'look through' to the underlying funds' exposures, for example, to monitor the Fund's risks and returns when deciding which funds to invest in, the Fund should disclose relevant risks in a manner consistent with how they monitor them.

Additional information where quantitative data about risk exposure is unrepresentative

35. If the quantitative data disclosed (as discussed in the above section) is unrepresentative of the entity's exposure to risk during the period, the entity shall provide further information that is representative. If the sensitivity analyses are unrepresentative of a risk inherent in a financial instrument (e.g., the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason why the sensitivity analyses are unrepresentative. Refer to note 3 for details.

Information duplicated in Note 3

36. The Fund has included information in this note for convenience notwithstanding some of the information is also disclosed in the accounting policies note. The repetition of this information is not required.

Terms and conditions of financial instruments

ASB7(7),(31)

37. Entities shall disclose sufficient information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance and the nature and extent of risks arising from these financial instruments. However, the intention of AASB 7 was to decrease the potentially voluminous disclosures that were required by AASB 132 and replace them with shorter but more meaningful information. Under normal circumstances entities will therefore no longer need to disclose the significant terms and conditions for each of their major borrowings. Having said that, if an entity has a borrowing (or other financial instrument) with unusual terms and conditions, then some information should be provided to enable users to assess the nature and extent of risks associated with these instruments.

Approach for calculating expected credit losses:

38. The Fund calculates its expected credit losses (ECL) for its financial assets at amortised cost based on a general approach. However, for funds that calculates ECL based on a simplified approach in accordance with AASB 9, the following disclosure can be used.

Financial risk management

Simplified approach:

The Fund applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all loan receivables.

39. To measure the expected credit losses, loan receivables have been grouped based on shared credit risk characteristics and the days past due. The Fund has therefore concluded that the expected loss rates for loan receivables are a reasonable approximation.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2023 or 1 July 2023 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the investors to settle the loan receivables. The Fund has identified the to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

4. Fair value measurement [1-30]

AASB13(70)

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis[9]:

- Financial assets/liabilities at fair value through profit or loss ('FVPL')
- Derivative financial instruments.

AASB13(72)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy definition

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

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

AASB13(76)-(80) i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

AASB13(81)-(83) ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and

AASB13(86)-(90) iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(b) Fair value hierarchy application

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)*

AASB13(81)-(85)

The fair value of financial instruments that are not traded in an active market (e.g. over-the counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques using observable input used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- Foreign currency forwards are valued at the present value of future cash flows based on the forward exchange rates at the balance sheet date.
- Interest rate swaps are valued at the present value of the estimated future cash flows based on observable yield curves
- Investments in unlisted unit trusts are valued at the mid-price as established by the underlying trust's Responsible Entity.
- Securities which are not listed on a securities exchange or are thinly traded are valued using quotes from brokers.

iii) *Fair value in an inactive or unquoted market (level 3)*

AASB13(86)-(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.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. The Fund may make adjustments to the value based on considerations such as; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds.

(c) 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)

AASB13(27)-(33)

At 30 June 2023	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 2023		**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:		**1,742,284**	**746,694**	**-**	**2,488,978**
Interest rate swaps					
At 30 June 2023		**4,381,644**	**746,694**	**-**	**5,128,338**

At 30 June 2022	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 2022		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:		1,462,592	365,648	-	1,828,240
Interest rate swaps					
At 30 June 2022		3,793,800	365,648	-	4,159,448

(d) 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 2023.

At 30 June 2023	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 2023 but which were only thinly traded on and around 30 June 2022.

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 2022, 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 2022.

Management of the suspended fund lifted their suspension in January 2023 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 as level 3 at 30 June 2022, 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 2022

	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

(e) *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 2023	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**	**14,786**
Transfers into/(out) from level 3	**672**	**(477)**	**195**
Closing balance	**672**	**1,366,450**	**1,366,642**
*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 2022	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

AASB13(93)(g)

(f) Valuation process

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.

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

(g) *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs6 used by the Trustee in level 3 fair value measurements.

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

Description[2]	Fair value at 30 June 2023 $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 2023 $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 rang**e 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

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Fair value measurement

AASB1056(AG11)
AASB7(6)
AASB1056(13),(AG23)
AASB1056(AG24)

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.

1. 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.

AASB13

2. 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. Superannuation entities do not apply AASB 5.

AASB13(24),(25)

3. AASB 13 explains how to measure fair value and aims to enhance fair value disclosures; it does not change when an entity is required to use fair value to measure an asset or liability. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). It also provides guidance on how fair value should be measured. Preparers of financial reports will need to review their fair value measurements and determine whether any of the techniques used may have to change as a result of the guidance.

AASB13(9)

4. The disclosure requirements of AASB 13 are similar to those that were already included in AASB 7, but apply now to all assets and liabilities measured at fair value, not just financial ones. For the purpose of this illustrative we have combined all fair value disclosures in one note. The Fund does not hold any non-financial assets or liabilities.

AASB13(70)

5. 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.

Determining Fair Values

AASB13(91)

6. Hedge accounting may be impacted by the adoption of AASB 13 as a result of incorporating credit risk into the valuation of financial instruments. Generally credit risk is not designated as part of the risk being hedged, thus creating a mismatch between the hedged item and hedging instrument. The impact on an entity’s hedging relationships should be analysed by management to determine whether it will give rise to ineffectiveness.

AASB13(93)(a)

7. AASB 13 does not require the bid/ask prices for actively quoted financial instruments. Rather the most representative price within the bid/ask spread is used. The Fund has elected to retain the use of bid/ask prices to fair value actively quoted financial instruments. Where management elects to use an alternative basis, such as last traded price or mid-point, it should describe this change as part of its accounting policies.

8. Where last traded price is used by an entity, management should ensure at balance date that last traded price falls within the bid/ask spread as at that date. Where it falls outside the bid/ask spread, an alternative basis most representative of fair value within the bid/ask spread, must be used.

Disclosure objectives

AASB13(92)

9. AASB 13 requires disclosure of information that helps users of financial statements to assess:

AASB13(99)

   (a) for assets and liabilities that are measured at fair value on a recurring or non-recurring basis after initial recognition, the valuation techniques and inputs used to develop those measurements

   (b) for recurring fair value measurements using significant unobservable inputs (level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

AASB13(72)-(90)

10. AASB 13 distinguishes between recurring and non-recurring fair value measurements. Recurring fair value measurements of assets or liabilities are those that other accounting standards require or permit at the end of each reporting period. Non-recurring fair value measurements are those that other standards require or permit in certain circumstances (e.g., when an entity measures an asset held for sale at fair value less costs to sell in accordance with AASB 5). The Fund does not have any non-recurring fair value measurements.

AASB13(72)-(90)

11. Entities shall consider what level of detail is necessary to satisfy the above disclosure objectives, how much emphasis needs to be placed on each of the requirements, to what extent information should be aggregated or disaggregated and whether any additional information is necessary to meet those objectives.

12. The information should be presented in tabular format unless another format is more appropriate

AASB13(93)(d)

Information about valuation techniques

13. 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)(h)

14. 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). An extensive example of the disclosures for level 3 unobservable inputs is included in Appendix B.

Sensitivity

15. 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.

AASB13(94)

Classes of assets and liabilities

16. The disclosures in AASB 13 must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering:

    (a) the nature, characteristics and risks of the asset or liability, and

    (b) the level of the fair value hierarchy within which the fair value measurement is categorised

AASB13(94)

17. A class of assets and liabilities will often require greater disaggregation than the line items presented in the balance sheet. The number of classes may also need to be greater for fair value measurements categorised within level 3 of the hierarchy, as those measurements have a greater degree of uncertainty and subjectivity. Entities shall disclose sufficient information to allow a reconciliation back to the line items disclosed in the balance sheet.

AASB13(93)(f)

Unrealised gains and losses on Level 3

18. AASB 13 does not provide any guidance on how to calculate the unrealised gains and losses for recurring level 3 measures. A similar requirement previously existed under US GAAP where three methods are acceptable. In our view, either of these methods would be acceptable under IFRS provided they are consistently applied. The methods are:

    (a) Balance sheet view: determine unrealised gains and losses as the fair value of the security less its amortised cost base. Under this view, gains and losses are realised at maturity or sale date. Therefore the entire gain or loss is considered unrealised until maturity.

    (b) Income statement view: determine unrealised gains and losses as the total gains and losses during the period less the cash received or paid for those items. Under this view each cash receipt or settlement represents a realised gain or loss in its entirety.

    (c) Cash flow view: first determine any realised gains or losses as the difference between the expected cash flows at the beginning of the period and the actual cash flows at the end of

AASB13(97),(93)(a)

the period. Then, determine unrealised gains or losses for items still held at the reporting date as the remaining expected cash flows for future periods at the end of the period less the remaining expected cash flows for future periods at the beginning of the period.

Fair value disclosed, but not recognised

19. Entities must also provide information about the fair value hierarchy of fair value measurements that are disclosed in the notes to the financial statements, but where the assets and liabilities are not measured at fair value in the balance sheet. For fair value measurements that are classified as 'level 2' or 'level 3', entities must further disclose:

AASB13(97),(93)(d)

(a) a description of the valuation technique(s) and the inputs used in the fair value measurement

AASB13(97),(93)(i)

(b) if the highest and best use of a non-financial asset differs from its current use, that fact and why the asset is being used in a manner that differs from its highest and best use.

Fair value disclosures: Financial instruments carried at other than fair value

AASB7(25),(29)

20. An entity shall disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. Fair values do not need to be disclosed where the carrying amount is a reasonable approximation of fair value.

AASB7(B51-B52)

21. The information about the fair values can be provided either in a combined financial instruments note or in a separate note. However, fair values must be separately disclosed for each class of financial instrument which means that each line item in the table would have to be broken down into individual classes. Refer to the appendix of AASB 7 for further details. For that reason, the Fund has chosen to provide the information in a separate note.

Carrying amounts are a reasonable approximation of fair value

AASB7(29a)

22. A statement that the carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value should only be made if it can be substantiated. That is, entities must have made a formal assessment of the carrying amounts of their financial assets and liabilities in comparison to their fair values and documented this assessment. If the fair values are not a reasonable approximation of the carrying amounts, the fair values must be disclosed.

Fair value determined using valuation technique - difference on initial recognition

AASB7(28)

23. If the market for a financial instrument is not active its fair value must be determined using a valuation technique. In these circumstances, there may be a difference between the fair value at initial recognition (established based on the transaction price) and the amount that would be determined at that date using the valuation technique. If there is such a difference an entity shall disclose (by class of financial instrument) the accounting policy for recognising that difference in profit or loss.

Fair value of liabilities with third-party credit enhancements

24. For liabilities measured at fair value and issued with an inseparable third-party credit enhancement, an issuer shall disclose the existence of that credit enhancement and whether it is reflected in the fair value measurement of the liability.

AASB13 (98)

Fair value of financial assets and financial liabilities with offsetting positions

25. If an entity has applied the exception in AASB 13 paragraph 48 and measured the fair value of a group of financial assets or financial liabilities on the basis of the price that it would receive to sell a net long position (asset) or pay to transfer a net short position (liability) for a particular risk exposure, it shall disclose that fact.

Financial instruments measured at cost where fair value cannot be determined reliably

26. If the fair value of investments in unquoted equity instruments, derivatives linked to such equity instruments or a contract containing a discretionary participation feature cannot be measured reliably the entity must disclose:

(a) the fact that fair value information has not been disclosed because it cannot be measured reliably

(b) a description of the financial instruments, their carrying amount and an explanation of why fair value cannot be measured reliably

(c) information about the market for the instruments

(d) information about whether and how the entity intends to dispose of the financial instruments

AASB7(30)

(e) if the instruments are subsequently derecognised, that fact, their carrying amounts at the time of derecognising and the amount of gain or loss recognised.

Fair value hierarchy – further guidance

27. Set out in the following table are some examples of inputs that may be considered appropriate for the levels indicated. However the facts and circumstances applicable to the individual security should always be assessed.

	Description of level in the fair value hierarchy	Financial instruments commonly classified in this level	Sources of pricing inputs commonly classified in this level
Level 1	• Inputs must be quoted prices in an active market. The quoted prices must be readily and regularly available and the prices must represent actual and regularly occurring market transactions on an arm's length basis.	Actively traded investments, including: • ASX listed equities and other listed equities in active markets. • Government bonds • Listed corporate bonds. • Exchange traded futures contracts. • Listed unit trusts.	• Items traded on an exchange or active index/market location (e.g., the ASX, NYSE).
Level 2	• Inputs that are observable (directly or indirectly) in the market.	• Certain corporate bonds where interest rate and credit risk inputs are observable. • Government bonds that are not actively traded. • Some interest rate swaps based on the BBSW swap rate. • Foreign currency forward contracts where the evaluation is based on quoted benchmark data and observed credit spread. • Some listed securities that are not traded in an active market. • Unlisted unit trusts holding level 1 or 2 investments and which are open for applications and redemptions on a regular basis.	• Quoted prices for similar instruments in active markets. • Posted or published clearing prices, if corroborated by observable market data through correlation or by other means (market-corroborated inputs). • Broker quotes corroborated by observable market data. • Dealer quotes for non-liquid securities provided the dealer is standing ready and able to transact. • Most inputs, other than quoted prices that are observable on the market (e.g., interest rates, yield curves observable at commonly quoted intervals)
Level 3	• Inputs that are not observable in the market, which may include information that is derived through extrapolation and which is not corroborated by observable market data. • Level 3 inputs generally reflect the entity's own assumptions about how a market participant would reasonably be expected to determine the price of a financial instrument.	• Some long-dated interest rate options. • Long-dated foreign currency derivatives. • Unlisted equity investments where the valuation is determined using management's financial forecasts. • Long-dated corporate bonds with few contributors to consensus pricing. • Listed securities where the market is inactive (where the quoted price isn't current, little	• Inputs from broker quotes that are indicative (i.e., not transacted upon) or not corroborated by observable market data. • Models incorporating management's assumptions which are not corroborated by observable market data.

AASB134(16A)(j)
AASB13(91)-(93)(h),
(94)-(96),(98),(99)
AASB7(25),(26),
(28)-(30)

	information is publicly available, price quotations vary substantially over time or among market makers, or management's assumptions are used). • Long dated energy derivatives.
	• Investments in property, private equity or infrastructure type funds where the fund is closed, and therefore valuation is not based on observable inputs. • Unlisted unit trusts that are not traded actively and have infrequent unit pricing as these hold significant investments in level 3 assets (e.g., unlisted property, infrastructure, or private equity). • Unlisted unit trusts which have gates or other restrictions on redemptions.

Valuation inputs and relationship to fair value

28. The 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.

AASB13(93)(d)

29. The Fund only includes 1 type of level 3 investment. For additional examples on unobservable inputs disclosure please refer Appendix B.

5. Offsetting financial assets and financial liabilities 1-11

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[1]	Amounts subject to master netting arrangements	Net amount
	$'000	$'000	$'000	$'000	$'000
2023					
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**
2022					
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
2023					
Derivative financial instruments (i)	**2,488,978**	**-**	**2,488,978**	**(2,488,978)**	**-**
Total	**2,488,978**	**-**	**2,488,978**	**(2,488,978)**	**-**
2022					
Derivative financial instruments (i)	1,828,240	-	1,828,240	(1,828,240)	-
Total	1,828,240	-	1,828,240	(1,828,240)	-

1 The net amount presented in the statement of financial position takes into account derivative and non-derivative investments and will not directly reconcile to the offsetting note disclosure.

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(13B)
AASB132(AG38A-F)

1. AASB 7 Financial Instruments: Disclosures requires additional disclosures about the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The new guidance in AASB 132 right of set-off must be available today (i.e., not contingent on a future event) and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy.

AASB7(13A),(B40)

2. The disclosures are required for all recognised financial instruments that are set off in accordance with paragraph 42 of AASB 132. They also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with paragraph 42 of AASB 132.

AASB132(50)

3. A master netting arrangement will commonly:
   - **(a)** provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract
   - **(b)** be used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations, and
   - **(c)** create a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business.

AASB7(B41)

4. The guidance above does not impact arrangements, such as:
   - **(a)** financial instruments with only non-financial collateral agreements
   - **(b)** financial instruments with financial collateral agreements but no other rights of set-off, and
   - **(c)** loans and customer deposits with the same financial institution, unless they are set off in the balance sheet
5. Because of the broad scope of the offsetting requirements, these disclosures are relevant not only to financial institutions but also corporate entities. The disclosures were introduced primarily to allow users of the financial statements to assess the impact of the different offsetting requirements under IFRS and US GAAP. They will therefore be particularly relevant for entities with US-based stakeholders, but less relevant for entities that operate exclusively in countries with IFRS or IFRS compliant standards.

AASB7(13B),
(13C)(a),(c),(d),(e),
(13E),(B40)-(B42)

6. Entities will need to disclose separately for recognised financial assets and recognised financial liabilities:
   - **(a)** the gross amounts of the recognised financial assets and financial liabilities, the amounts that are set off and the net amounts presented in the balance sheet
   - **(b)** the amounts subject to an enforceable master netting arrangement or similar agreement, including amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria and amounts related to financial collateral
   - **(c)** the net amount after deducting the amounts disclosed under (b) from the net amounts presented in the balance sheet (after set-off) in (a)
   - **(d)** a description of the rights of set-off associated with financial assets and liabilities that are subject to enforceable master netting arrangements and similar agreements, and

AASB7(13C),(B51)
(B52)

(e) a description of measurement differences between the set-off amounts (e.g., amortised cost vs fair value).

7. The quantitative information above may be grouped by type of financial instrument or transaction, or in some instances also by counterparty. It should be provided in tabular format unless another format is more appropriate.

AASB7(13F)

8. Where the disclosures are provided in more than one note to the financial statements, cross references between the notes shall be included.

Master netting

AASB7(36)(a)

9. An entity may have entered into one or more master netting arrangements that serve to mitigate its exposure to credit loss but do not meet the criteria for offsetting. When a master netting arrangement significantly reduces the credit risk associated with financial assets not offset against financial liabilities with the same counterparty, the entity must provide additional information concerning the effect of the arrangement.

Collateral arrangements

\AASB7(13C)(d),(B41)

10. Where an entity has pledged financial instruments (including cash in margin accounts) as collateral, this is required to be disclosed as part of the table where there are other set off arrangements currently in place. The Fund Limited illustrates an example where there is a netting arrangement requiring offsetting disclosure.

11. Preparers need to firstly consider whether the periodic posting of cash collateral with derivative counterparties results in the legal settlement (derecognition) of the associated outstanding derivative balance. This is commonly referred to as ‘settlement to market’ (‘STM’). Alternatively, the terms of the collateral agreement may mean collateral posted will be used to settle the derivative as and when payments are due (‘collateralised to market’ (‘CTM’)). This should be considered based on the contractual arrangements with counterparties/brokers and Stock Exchange rule books the Fund trades on.

Credit risk exposures

12. Disclosures relating to valuation may be particularly relevant for funds holding significant investment positions or exposures to Silicon Valley Bank or Credit Suisse. In particular, paragraph 22(g) of AASB 110 *Events after the Reporting Period* (‘AASB 110’) notes that abnormally large changes after the reporting period in asset prices would be an example of a non-adjusting event after the reporting period requiring disclosure.

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)

	2023 $'000	2022 $'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 [1-11]

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 2023 $'000	Fair value of investment 2022 $'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 (30 June 2023: $2,895,077,000, 30 June 2022: $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 2023, total losses incurred on investments in investee MIS's were $450,976,000 (total gain for the year ended 30 June 2022: $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 Disclosure requirements relating to structured entities are illustrated in AASB 12 *Disclosure of Interests in Other Entities* ('AASB 12').

Disclosure objectives

AASB12(1)
1. The objective of AASB 12 is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The requirements to disclose off balance sheet exposures and maximum exposures to losses relating to structured entities are among the key requirements of the standard.

AASB12(2)
2. To accomplish that objective, the standard requires disclosures about the entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities as well as non-controlling interests (for subsidiaries) and significant judgements made in determining the accounting for interests in other entities and the determination that the entity is an investment

entity, if applicable. The Fund only illustrates those disclosures relating to interests in structured entities.

Interests in unconsolidated structured entities

AASB12(24)

3. AASB 12 requires entities to disclose information about unconsolidated structured entities that helps users of its financial statements:

   (a) to understand the nature and extent of the entity's interests in unconsolidated structured entities, and

   (b) to evaluate the nature of, and changes in, the risks associated with the entity's interests in unconsolidated structured entities.

AASB12(26)
AASB12(29-31)

4. AASB 12 then outlines a number of specific disclosure requirements relating to interests in structured entities to meet the objectives outlined above covering:

   (a) the nature, purpose, size and activities of the structured entity as well as how the structured entity is financed

   (b) the carrying amounts of any recognised assets or liabilities relating to the unconsolidated structured entities (i.e., only those balances which are on the investor's balance sheet)

   (c) the line item in the statement of financial position this information is presented in

   (d) the amount that best represents the entity's maximum exposure to loss, including how this is determined

   (e) a comparison of the carrying value outlined above to the maximum exposure to loss

   (f) information about situations during the reporting period where an entity has provided financial or other support to a structured entity without having a contractual obligation to do so covering types of support and reasons for providing

   (g) any current intentions to provide financial or other support to a structured entity.

AASB12(B25),(B26)

5. The appendix of the standard also lists out additional information an entity would be expected to disclose in relation to interests in unconsolidated structured entities to meet the disclosure objectives of the standard.

Sponsorship

AASB12(27)

6. Where an entity does not have an interest in a structured entity but has sponsored the entity then AASB 12 also requires a number of disclosures covering:

   (a) how it has been determined which structured entities are sponsored

   (b) amounts of income and descriptions of income earned from the structured entity during the reporting period

   (c) the carrying amount of any assets transferred to the structured entity during the reporting period.

These disclosures are only required where the entity does not have an interest in the structured entity at the reporting date.

Aggregation

AASB12(B2)-(B6)

7. An entity shall decide, in the light of its circumstances, how much detail it provides to satisfy the information needs of users, how much emphasis it places on different aspects of the requirements and how it aggregates the information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.

AASB12(B2)-(B6)

8. An entity may aggregate the disclosures required by this Standard for interests in similar entities if aggregation is consistent with the disclosure objective and the requirements in paragraph B4, and does not obscure the information provided. An entity shall disclose how it has aggregated its interests in similar entities.

9. An entity shall present information separately for interests in:

   (a) subsidiaries

   (b) joint ventures

   (c) joint operations

- **(d)** associates, and
- **(e)** unconsolidated structured entities.

10. In determining whether to aggregate information, an entity shall consider quantitative and qualitative information about the different risk and return characteristics of each entity it is considering for aggregation and the significance of each such entity to the reporting entity. The entity shall present the disclosures in a manner that clearly explains to users of financial statements the nature and extent of its interests in those other entities.

11. Examples of aggregation levels within the classes of entities set out in paragraph B4 that might be appropriate are:
    - **(a)** nature of activities (e.g., a research and development entity, a revolving credit card securitisation entity)
    - **(b)** industry classification
    - **(c)** geography (e.g., country or region).

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.

AASB1056(15)

(i) Defined contribution member liabilities

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 2023, 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.

AASB1056(23)

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

AASB1056(25)(a)(i)

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

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)

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.

AASB1056(25)(a)(ii)

(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% (2022: 5.0%)	+0.5%/-0.5% (2022: +0.5%/-0.5%)	22,280/(22,280) (2022: 27,004/(27,004)
	Salary adjustment rate	4.0% (2022: 4.0%)	+1.0%/-1.0% (2022: +1.0%/-1.0%)	(31,368)/31,368 (2022: (34,422)/34,422)
Plan B	Discount rate	5.0% (2022: 5.0%)	+0.5%/-0.5% (2022: +0.5%/-0.5%)	23,549/(23,549) (2022: 29,774/(29,774))
	Salary adjustment rate	3.0% (2022: 3.0%)	+1.0%/-1.0% (2022: +1.0%/-1.0%)	(30,529)/30,529 (2022: (35,584)/35,584

2022

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

AASB1056(28-30)

For the two defined benefit sub-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:

		2023 $'000	2022 $'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 2023.

(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 2023.

AASB1056(25)(c)

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

Member liabilities

Recognition

AASB1056(14)

1. Obligations relating to member entitlements are recognised as member liabilities.

AASB1056(BC102)

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.

Measurement

3. Member liabilities are measured as the accrued benefits of members.

AASB1056(15)
AASB1056 (Appendix A)

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 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 liability.

9. Insurance arrangements [1-2]

AASB1058(AG40-42)

The Fund provides death, disability and income protection benefits to its members. The Trustee has a group policy in place with a third-party insurance company to insure the death, disability and income protection 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 via the Fund. 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 significant 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 significant 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]

	2023 $'000	2022 $'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.

(c) Insurance reserve [1-2]

AASB101(79)(b)

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

		2023 $'000	2022 $'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]

		2023 $'000	2022 $'000
	Operating result before income tax expense	**103,353**	125,937
	Tax at the Australian rate of 15% (2022 – 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 (2022: $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]

AASB112(81)(g)(i)

The balance comprises temporary differences attributable to:

	2023 $'000	2022 $'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 2023			
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 2022			
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. The 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

		2023 $'000	2022 $'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]

		2023 $'000	2022 $'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 [2-12]

AASB107(45) **(a) Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities**

		2023 $'000	2022 $'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**

Successor fund transfer settled as non-cash	X,XXX,XXX	-

Member assets of $X,XXX,XXX (2022: nil) and liabilities of $X,XXX,XXX (2022: nil) were transferred into the Fund due to a successor fund transfer with the Fund XYZ. There were no other non-cash financing activities during the year (2022: nil).

Cash flow information

Cash and cash equivalents

AASB107

1. An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the balance sheet.
2. In view of the variety of cash management practices and banking arrangements between entities, financial statements should disclose the policy being adopted in determining the composition of cash and cash equivalents.
3. In accordance with AASB 107, cash equivalents within the statement of cash flows can include short term maturing assets (three months or less) from the date of acquisition, provided they are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Consider whether restricted funds that are not 'cash' (see Viewpoint FAQ 7.3.1) meet the definition of 'cash equivalents' (see FAQ 7.3.3), or whether the funds are restricted in a manner such that the definition is not met. This is to ensure that only those items that are available to meet short-term cash commitments are classified as a part of 'cash or cash equivalents'. The economic substance of the restrictions should be assessed in each case. Deposits that are available for use in the short term, albeit with some restrictions over their use, might still meet the definition of cash equivalents and therefore be classified as part of 'cash and cash equivalents'. For example, the definition of cash equivalents might be met if the entity needs approval to withdraw the funds but the approval process is perfunctory. This will depend on the specific facts of the restrictions.

Funds that do not meet the criteria to be classified as 'cash and cash equivalents' should not be presented as part of 'cash and cash equivalents'. Management should assess whether these funds should be presented in a separate line item in the statement of financial position, based on IAS 1's requirements, and should clearly distinguish restricted funds from cash and cash equivalents where relevant to an understanding of the entity's financial position. If the funds meet the criteria to be classified as cash and cash equivalents but the use of the funds is subject to restrictions, disclosure is required of the relevant amounts, along with a commentary on their restrictions.

4. Under AAS requirements, an investment in a cash management trust may meet the definition of a cash equivalent for statement of cash flows purposes (see the commentary on the Balance Sheet for further information). However, normally these would be disclosed as at fair value through profit or loss.

Reporting cash flows on a net basis

5. Cash flows arising from the following operating, investing or financing activities may be reported on a net basis:

   (a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity (e.g., funds held for customers by an investment entity), and

   (b) cash receipt and payments for items in which the turnover is quick, the amounts are large, and the maturities are short (e.g., the purchase and sale of investments).

Operating activities

6. An entity shall report cash flows from operating activities using either:

   (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed, or

   (b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

7. However, AASB 107 encourages entities to use the direct method, as it provides information which may be useful in estimating future cash flows and which is not available under the indirect method. The Fund therefore uses the direct method.

8. A superannuation fund typically holds securities for dealing or trading purposes, which is the main income generating activity. Accordingly, cash flows arising from the purchase and sale of financial instruments at fair value through profit or loss are classified as operating activities.

Interest and dividends/distributions

9. Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.

10. Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of net profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

11. Dividends or distributions paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, they may be classified as operating cash flows to

assist users to determine the ability of an entity to pay dividends or distributions out of operating cash flows.

Effects of exchange rate changes

12. Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates.

Classification

In the case where the Fund invests into a cash management trust (dollar stable funds), these unit trust investments are classified as Cash and cash equivalents in accordance with the definition stipulated in AASB 107.

The following factors should be considered to determine whether the cash management trust funds should be held as a Cash and cash equivalent:

(a) Cash equivalents are held for the purposes of meeting short-term cash commitments rather than for investment or other purposes.

(b) Readily convertible.

(c) To a known amount of cash and is subject to an insignificant risk of change in value.

(d) Short maturity of three months or less from the date of acquisition.*

** Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents. For example, preferred shares acquired within a short period of their maturity and within a specified redemption date.*

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:

	2023 $'000	2022 $'000
Uncalled commitments in Australian Property Trust	**23,450**	45,892

Other than as noted above, there are no outstanding commitments as at 30 June 2023 and 30 June 2022.

Commitments

The above disclosure only illustrates an uncalled investment commitment held with an external unit trust.

Related parties of the Fund

1. In the event it is a related party of the Fund, additional disclosure should be included below the table to explain the related party (or parties) of the Fund have made a commitment to purchase units in the Fund for the same commitment amount and refer to the related party note disclosure (e.g. note 18(f)).

Recallable distributions

2. In addition, the underlying fund managers of the unit trusts may allow the right for the Fund to recall capital from distributions paid during an investment period up to the value of the capital component of distributions actually paid. These are known as recallable distributions and will require additional disclosure below the table above.

16. Contingent liabilities and contingent assets

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

There are no outstanding contingent assets or liabilities as at 30 June 2023 and 30 June 2022.

17. Events occurring after the reporting period [1-6]

AASB110(21)

The Trustee entered into an agreement for a successor fund transfer with the Trustee of the ABC Fund. As at the date of this report, the Trustee of the ABC Fund had $10,000,000 in members' assets and liabilities that has been transferred into the Fund on 1 July 2023.

Except as disclosed above, no other 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 2023 or on the results and cash flows of the Fund for the year ended on that date.

Events occurring after the reporting period

Non adjusting events after the reporting period

AASB110(21)(a)(b)

1. The above disclosure indicates that there have been no reportable subsequent events. In the event that an event occurred that is indicative of conditions that arose after the reporting period (i.e., a non-adjusting event), disclosure should be made of the nature of the event and an estimate of its financial effect (or a statement that such an estimate cannot be made).

Updating disclosure about conditions at the end of the reporting period

AASB110(19),(20)

2. If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to these conditions, in the light of the new information.

3. More detailed disclosures and commentary are provided in the financial statements of VALUE ACCOUNTS Holding Limited Annual financial reporting December 2022 publication.

Using pro forma balance sheets to disclose post reporting period acquisitions and disposals

AASB3(59)(b)
AASB3(B64) (B66)

4. To illustrate the financial effect of material acquisitions and disposals of entities or operations after the reporting period, an entity may wish to present a pro-forma balance sheet in the notes to the financial statements. While the Corporations Act 2001 does not generally permit pro-forma financial statements to be included in a financial report, ASIC has given relief in these particular circumstances, provided certain conditions set out in ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842 (formerly class order 05/644) are satisfied.

Successor fund transfer after the reporting period

ASIC 2015/842

To illustrate successor fund transfers that is expected to occur after the period, an entity may wish to disclose the facts surrounding the successor fund transfer, including the date of conditional approval for the transfer, date of the successor fund transfer deed entered into between the Trustees e.g. On 1 April 2023, the Trustee has conditionally approved the successor fund transfer of members, and the assets and liabilities of the ABC Fund into the Fund. The successor fund transfer is yet to be completed by 30 June 2023 on the terms set out in the deed.

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 [1-25]

(a) Trustee

AASB124(18)
AASB1056(AG39)

The Trustee of the Fund is Super Trustee Ltd ('Trustee). 'Amounts paid to the Trustee in the form of fees and reimbursements are disclosed in note 12 and total $1,035,231 (2022: $1,182,145. As at 30 June 2023, $130,000 (2022: $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 include persons who were directors of the Trustee at any time during the financial year as follows:

a. Director
b. Director (resigned 28 October 2022)
c. Director
d. Director (appointed 20 February 2023)
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

		2023 $	2022 $
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

Accounting standards and other guidance for related party disclosures

AASB (18)-(19)

1. Accounting standards for related party disclosures are set out in AASB 124 *Related Party Disclosures* ('AASB 124').

While not all of the disclosure requirements of AASB 124 are set out in this note, those normally relevant to registered schemes have been illustrated.

For purposes of this illustrative financial report, the Fund has disclosed other funds managed by the fund manager as related entities. However, the only disclosure which is mandatory under AASB 124 is the holdings of the fund manager itself in the fund (not the funds also managed by the same fund manager) which is not applicable for this illustrative. See paragraphs 20-22 below for further information.

Presentation

AASB (18)-(19)

2. All of the related party information required by AASB 124 that is relevant to the Fund has been presented, or referred to, in one note. This is considered to be a convenient and desirable method of presentation, but there is no requirement to present the information in this manner. Compliance with the standard could also be achieved by disclosing the information in relevant notes throughout the financial statements.

Materiality

AASB124(IG 11)

3. The disclosures required by AASB 124 apply to the financial statements when the information is material. According to AASB 101, materiality depends on the size and nature of an item. It may be necessary to treat an item or a group of items as material because of their nature, even if they would not be judged material on the basis of the amounts involved. This may apply when transactions occur between an entity and parties who have a fiduciary responsibility in relation to that entity, such as those transactions between the entity and its key management personnel.

AASB101(7)

4. It is particularly important to consider the nature of related party transactions. For example, services may be provided free of charge to a related party and a conclusion on whether the services provided are material can only be made by considering their nature.

Relationships between parents and subsidiaries

AASB124(13)

5. Relationships between parents and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties. An entity shall disclose the name of the entity's parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

AASB124(13)

6. The ultimate controlling party may be an individual or a group of individuals (e.g. a family).

AASB124(Aus13.1)

7. If any of the parent entities or the ultimate controlling parties disclosed as per paragraph 5 above is incorporated or otherwise constituted outside Australia, the disclosure must identify which of the entities is incorporated overseas and where, and disclose the name of the ultimate controlling entity that is incorporated within Australia.

Transactions with related parties

AASB124(18)

8. If there have been transactions between the reporting entity and a related party, the reporting entity must disclose:

   (a) the nature of the related party transactions, and

   (b) information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements:

AASB124(18)(a)

   1. the amount of the transactions

AASB124(18)(b)

   2. the amount of outstanding balances (including commitments) and their terms and conditions, whether they are secured, the nature of the consideration to be provided in settlement and details of any guarantees given

AASB124(18)(c)

   3. provisions for doubtful debts related to the amount of outstanding balances, and

AASB124(18)(d)

   4. the expense recognised during the period in respect of bad or doubtful debts due from related parties.

AASB124(9),(21i)

9. Related party transactions are transfers of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged. They include commitments to do something if a particular event occurs (or does not occur) in the future and executory contracts (recognised or unrecognised).

Related party definition

AASB124(9),(IE4)-(IE26)

10. The definition of a related party includes the following persons and entities:

   (a) A person (or a close member of that person's family) is related to the reporting entity if the person:

   1. has control or joint control over the reporting entity
   2. has significant influence over the reporting entity, or
   3. is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity

   (b) An entity (B) is related to a reporting entity (A) if:

   1. A and B are members of the same group (that is all entities within a group are related to each other)
   2. A is an associate or joint venture of B. In this case A is related to all members of the group that B belongs to

3. A and B are joint ventures of the same third party, C
4. A is a joint venture of C and B is an associate of C (or vice versa)
5. B is a post-employment benefit plan for the benefit of employees of A or an entity related to A. If A is itself a post-employment benefit plan, any sponsoring employers are also related to A
6. B is controlled or jointly controlled by a person identified in (a) above
7. A person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B.
8. B, or any member of a group of which B is a part, provides key management personnel services to A or to A's parent.

AASB124(12)

11. In the above definition, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

AASB124(9)

12. Close family members are defined as those family members who may be expected to influence, or be influenced by, the key management person. They include a person's children and spouse or domestic partner, children of that person's spouse or domestic partner and dependants of that person's spouse or domestic partner.

Key management personnel disclosures

Disclosures for all reporting entities

AASB124(17)

13. All reporting entities must disclose key management personnel compensation in total and for each of the following categories:

AASB124(17)(a) **(a)** Short-term employee benefits

AASB124(17)(b) **(b)** Post-employment benefits

AASB124(17)(c) **(c)** other long-term benefits

AASB124(17)(d) **(d)** termination benefits

AASB124(17)(e) **(e)** share-based payments

Key management personnel

AASB124(9)

14. For the purposes of AASB 124, key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

AASB124(Aus9.1)

15. A director is a person who is a director under the Corporations Act 2001 or, in the case of entities governed by bodies not called a board of directors, a person who, regardless of the name that is given to the position, is appointed to the position of member of the governing body, council, commission or authority. Individuals who are directors of subsidiaries within an economic entity but not directors of the parent entity are not directors of the group.

16. The key management personnel would include the directors of the responsible entity and possibly other non-director personnel of either the responsible entity or the Fund itself (for example a full-time CEO of the responsible entity).

AASB124 (17A),(18A)

17. If an entity hires key management personnel services from another entity (e.g., a responsible entity or management entity), the entity does not need to disclose any compensation paid by the management entity to its employees or directors. Instead, the management entity (and any member of the group of which the management entity is a part) is specifically identified in paragraph 9(b)(viii) as a related party and amounts payable to the management entity for the provision of key management personnel services must be separately disclosed.

AASB124(18)

18. In addition, if there are any transaction entered into directly between the reporting entity (i.e., the fund) and the key management personnel these would need to be disclosed in aggregate. The Fund has not entered into any such transactions.

Individual KMP disclosures

AASB2011-4
CA300A
CR2M.3.03

19. As section 300A does not apply to disclosing entities that are not companies, entities such as the Fund are not required to provide the detailed disclosures in their notes to the financial statements. Nevertheless, we have retained the disclosure of the names of the individual KMPs and the units held by each of them, as many preparers consider this information relevant and of interest to investors and other stakeholders.

Transactions with related parties of the responsible entity

AASB124(1)

20. The objective of AASB 124 is to ensure that the entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. On that basis, if there are significant transactions with entities that are a related party of the responsible entity, then these should also be disclosed. The amendments in AASB 124 confirm this, by specifically identifying a management entity and any members of the group of which the management entity is a part as related parties.

21. Examples of such transactions may be deposits held with, or custodian fees paid to a parent entity or a sister entity of the responsible entity. The Fund has not entered into any such transactions and therefore has not made any disclosures in this regard.

Related party schemes' unitholders

Non Mandatory

22. The disclosure of units held in the Fund by other schemes that are managed by the same entity and vice versa was previously recommended by the Financial Services Council. While the relevant guidance note has since been repealed, PwC believes disclosure of such information is best practice and will further help users understand the full extent of related party relationships and transactions.

Terms and conditions

AASB124(18)(b)(i), (23)

23. The terms and conditions of outstanding balances shall be disclosed, including whether they are secured, and the nature of the consideration to be provided in settlement. Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.

Categories

AASB124(19)

24. The disclosures of related party transactions required by paragraph 18 of AASB 124 shall be made separately for each of the following categories:

    (a) the parent

    (b) entities with joint control or significant influence over the entity

    (c) subsidiaries

    (d) associates

    (e) joint ventures in which the entity is a venture

    (f) key management personnel of the entity or its parent, and

    (g) other related parties.

Rounding

ASIC 2016/191

25. Any amounts required to be disclosed by AASB 124 in relation to transactions with related parties, key management personnel compensation and other key management personnel information shall be shown to the nearest dollar by entities with assets (or consolidated assets) of less than $1,000 million, and may only be rounded to the nearest $1,000 by entities with assets (or consolidated assets) of more than $1,000 million. Refer to Appendix A for further commentary.

19. Remuneration of auditors [1-17]

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:

		2023 $	2022 $
	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 PwC and PwC's related network firms:	**300,000**	275,000
	Total auditors' remuneration	**300,000**	275,000

Audit remuneration disclosure requirements

1. Under AASB 1054 *Australian Additional Disclosures* ('AASB 1054') entities must disclose fees to each auditor or reviewer, including any network firm, separately for:

AASB1054(10)

   (a) the audit or review of the financial statements, and

   (b) all other services performed during the period.

The sample disclosures in note 19 to the financial statements present the typical situation for an superannuation fund that pays audit and non-audit fees directly.

Recent developments in the disclosure of auditor remuneration

2. The Parliamentary Joint Committee on Corporations and Financial Services Regulation of Auditing in Australia recommended that standard setters enhance the disclosures of auditor remuneration by better defining the categories so that they provide more information about the split of remuneration between audit and non-audit services. While changes to the audit remuneration disclosure requirements are yet to be made, we have developed the illustrative disclosures in this publication based on draft recommendations made by ASIC and we encourage entities to consider these in their 30 June 2023 financial statements. These enhanced disclosures go further than the current disclosure requirements in AASB 1054 Australian Additional Disclosures and section 300 of the Corporations Act 2001 as outlined in paragraphs 1 and 10 of this commentary.

Audit and review of the financial report

3. In our illustrative disclosures, audit and review of the financial report includes services provided by the auditor and their network firms to audit the statutory financial report of the Fund. As a practical approach, the fees disclosed for the current year will also include overruns billed after

AASB1054(11)

the financial statements for the previous financial year were finalised. If an entity chooses to restate the comparatives to reflect overruns relating to the prior year, that fact and the amount of the restatement would need to be disclosed.

4. ASIC proposes including the full year audit and half year review in this category. Remuneration paid to other auditors outside of PwC networks also needs to be disclosed separately.

AASB101(41)

5. There are some new areas of work such as wages trust or fraud where a component of the work is done as part of the audit of the financial report and so is included in the audit fees. Other components of this work, such as legal assurance over compliance with contracts, may currently be included in other assurance services.

Other statutory assurance services

6. Other statutory assurance services include services required by legislation to be provided by the statutory financial report auditor. Examples are Australian Financial Services License audits.

7. Other statutory assurance services were not provided to the Fund, and accordingly, not disclosed in our illustrative disclosures.

Other assurance services

8. In our illustrative disclosures, other Assurance services include other assurance and agreed-upon-procedures services as defined in APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (or similar professional requirements, or performed under contractual arrangements) where there is discretion as to whether the service is provided by the statutory auditor or another firm.

9. It would also include extended audit work that is authorised by those charged with governance and performed on financial or non-financial information and financial or non-financial controls where this work is intended to extend the audit work and provide additional assurance. Examples of other assurance services might include reviews of climate-related financial disclosures, cyber controls assurance, fraud or wage contract compliance agreed-upon-procedures, financial due diligence, controls assurance and agreed-upon-procedures performed for APRA. For the SEC and in the UK some services that may have been classified as other assurance services or other non-audit services are now prohibited.

AASB1054(10)(b),(11)

Other non-audit services

10. Other fees for non-audit services are required to be disclosed by type of service under the Corporations Act (Section 300 (11B) and (11C)). All fees paid to auditors of the parent, controlled entities and joint operations are included, following normal consolidation requirements. The UK requires separate disclosure of tax compliance, tax advisory, internal audit, corporate finance related service and other. The UK also suggests a subtotal of all non-audit and review services separately from the financial report audit fees. Note for the SEC and UK, some of these services are specifically prohibited.

Network firm

11. Services provided by non-related audit firms and their related networks are required to be disclosed separately. However, as the Fund did not receive any services from non-related audit firms, the illustration in note 15 does not include such disclosures.

12. A network firm is defined in APES 110 as a firm or entity that belongs to a network. A network is a larger structure:

    (a) that is aimed at co-operation, and

    (b) that is clearly aimed at profit or cost sharing, or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name or a significant part of professional resources.

SI 2011/2198

13. Further guidance on networks and network firms can be found in paragraphs 400.50.A1 to 400.54.A1 of APES 110.

Amounts paid or payable by another entity

14. Where an amount is paid or payable by another entity (e.g., the parent entity or the responsible entity) the entity should disclose the amount in the individual entity's notes to the financial statements, regardless of who paid it. In cases where it is not possible to make an allocation, the individual entity's financial statements should include a suitable explanation.

AASB1054(BC7)

AASB1054(BC7)
APES 110

Glossary

Goods and Services Tax (GST)

15. Amounts disclosed for auditor's remuneration should be net of goods and services tax (GST) except where the GST included in fees is not recoverable from the tax authority. GST that is not recoverable should be included as part of the remuneration. This disclosure is consistent with UIG 1031 Accounting for the Goods and Services Tax (GST) which requires revenues, expenses and assets to be recognised net of the amount of GST, except that where the GST is not recoverable it shall be recognised as part of the cost of acquisition of the asset or as part of the item of expense to which it relates.

16. We recommend that entities that are not able to recover GST on fees for audit and other services and other expenses should include a policy note indicating which expense items disclosed in the financial statements are inclusive of nonrecoverable GST. They could also amend the wording of specific disclosures such as auditor's remuneration to make it clear that the amounts disclosed are inclusive of nonrecoverable GST, e.g., by adding the words 'including non-recoverable GST' to the relevant captions.

UIG1031(6),(7)

Rounding

ASIC 2016/191

17. Audit remuneration must be disclosed to the nearest dollar by entities with assets (or consolidated assets) of less than $1,000 million, and such remuneration may only be rounded to the nearest $1,000 by entities with assets (or consolidated assets) of more than $1,000 million. See Appendix A for further information.

20. Successor fund transfer

AASB 101(112)

On 31 May 2023, the Fund acquired by successor fund transfer ('SFT') all the assets and liabilities of the XYZ Fund. The net amount transferred to the Fund was $X,XXX,XXX. The assets and liabilities received by the Fund:

Assets Investments	Amount $
Australian shares	XXX,XXX
International shares	XXX,XXX
Private capital	XXX,XXX
Property	XXX,XXX
Infrastructure	XXX,XXX
Fixed interest	XXX,XXX
Alternative strategies	XXX,XXX
Cash	XXX,XXX
Total investments	**XXX,XXX**
Other assets	
Cash and cash equivalents	XXX,XXX
Receivables	XXX,XXX
Total other assets	**XXX,XXX**
Total assets	**XXX,XXX**
Liabilities	
Benefits payable and other liabilities	XXX,XXX
Current tax liabilities	XXX,XXX

Total liabilities	**XXX,XXX**
Net assets available for member benefits	**XXX,XXX**
Member liabilities	
Defined contribution member liabilities	XXX,XXX
Defined benefit member liabilities	XXX,XXX
Total member liabilities	**XXX,XXX**
Total net assets	**XXX,XXX**
Equity	
General reserve	XXX,XXX
Insurance reserve	XXX,XXX
Operational risk financial risk (ORFR) requirement	XXX,XXX
Defined benefits surplus	XXX,XXX
Total equity	**XXX,XXX**

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 15 to 64 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 2023 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 2023, 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

XXXX 14 September 2023

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 significant insurance risk [1-5]

Statement of financial position (extract)

Assets	2023 $'000	2022 $'000
Reinsurance assets	**1,370,780**	870,780

AASB101(55)

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

AASB101(55)

Income statement (extract)

ASB1056(AG29)(c)

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

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 [1-12]

	2023 $'000	2022 $'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 significant 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 significant 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% (2022: 3.15%)
2. salary inflation rates of 2.0% (2022: 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:

5. 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.
6. 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.
7. 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 an AA credit rating.

(c) 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)

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

AASB1056(AG41)

Indicators that the entity is not exposed to a significant 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 significant 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 significant 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)

9. A superannuation entity that is exposed to a significant 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)

10. A superannuation entity that is exposed to a significant 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)

11. 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

AASB1056(AG44)-(AG49)

12. Insurance accounting is complex and the illustrative disclosures included above are designed to highlight the key requirements applicable to the Fund.

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

AASB101(54)(h)

		2023 $'000	2022 $'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 2023.

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

The 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 the 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 Fund's 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 Fund's 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 Board Investment Committee ('BIC') regularly monitors the Fund's 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 the date they meet 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 Fund's 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 custodian and its accounting function 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 accounting function, 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 valued by an external investment manager, directly by the Fund's internal investment team or a third-party valuer.

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 appropriate segregation of valuation roles, 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 rotate 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 is 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.

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 – Super Trustee Ltd Annual Report Illustrative Scenario (extract)

The introduction of an amendment to the *Superannuation (Industry) Supervision Act 1993 (Cth) (SIS Act)* in sections 56 and 57 on 17 December 2020, and effective from 1 January 2022, has resulted in Trustees being prohibited from using the assets of the superannuation fund to pay for any penalties imposed on the Trustee.

This appendix shows the relevant sections of the trustee's annual report that would otherwise be impacted by the change outlined above for the purposes of the Super Trustee Ltd (the 'Company') as the trustee of the VALUE ACCOUNTS Superannuation Fund (the 'Fund').

The disclosures below are intended to supplement (as appropriate) the disclosures included within the Company's annual report.

Directors' report (extract)

Significant changes in the state of affairs

CA299(1)(b) In the opinion of the Directors there were several significant changes in the state of affairs of the Company during the financial year under review.

From 1 January 2022, the Company maintained a Trustee indemnity in its personal capacity due to changes to the *Superannuation (Industry) Supervision Act 1993 (Cth) (SIS Act)*. The Company is prohibited from accessing superannuation fund assets to pay criminal, civil or administrative penalties incurred by the Company or its directors in relation to a contravention of any Commonwealth law.

On the 31 December 2022, of the trustee fees paid by the Fund to the Company, $X,XXX,XXX consisted of fees for the purpose of maintaining the Company's indemnity, received as other income by the Company and held within its Trustee Capital Reserve. The Trustee Capital Reserve represents the balance of funds held by the Company as capital on its balance sheet to address the risks associated with its role as the trustee of the Fund.

The investment strategy for the Trustee Capital Reserve will take into account the risk profile of the Company's conservative investment plan and the Company's tolerance for illiquidity.

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

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

AASB101(55) There have been no other significant changes to the state of affairs.

Statement of financial position (extract)

Equity	2023 $'000	2022 $'000
Trustee Capital Reserve	**X,XXX,XXX**	–

AASB1056(AG13)

Income statement (extract)[1]

Other Income	2023 $'000	2022 $'000
Trustee Fee	**X,XXX,XXX**	X,XXX,XXX

AASB15(9)-(84)

Income statement (extract)

Other income and not revenue

1. The Trustee Capital Reserve is capital that is generated by transactions taking place between the Company (as the trustee) and the Fund in accordance with the amended Trust Deed.

   The accounting treatment of the transaction should be assessed in accordance with the recognition and measurement principles outlined in AASB 15 *Revenue from customers with contracts* ('AASB 15').

   If the nature of the transaction consists of capital used for the purpose of managing risks associated with contingencies or indemnification purposes, it may not meet all the recognition and measurement principles of AASB 15 and therefore should be accounted for as an 'other income' item.

AASB1056(8)(c)

Statement of changes in equity (extract)

	Trustee Capital Reserve $'000
Total equity at the beginning of the reporting period – 1 July 2022	X,XXX,XXX
Total comprehensive income/(loss) for the period	X,XXX,XXX
Total equity at the end of the reporting period – 30 June 2023	**X,XXX,XXX**

	Trustee Capital Reserve $'000
Total equity at the beginning of the reporting period – 1 July 2021	X,XXX,XXX
Total comprehensive income/(loss) for the period	X,XXX,XXX
Total equity at the end of the reporting period – 30 June 2022	**X,XXX,XXX**

Notes to the financial statements (extract)

AASB101(78)

Note # – Trustee Capital Reserve	2023	2022
	$'000	$'000
Opening balance as at 1 July	**X,XXX,XXX**	–
Net transfers to/from reserves	X,XXX,XXX	X,XXX,XXX
Net allocations to/from Comprehensive Income Statement	X,XXX,XXX	X,XXX,XXX
Closing balance as at 30 June	**X,XXX,XXX**	X,XXX,XXX

AASB101(79)(b)

The Trustee Capital Reserve represents the balance of funds held by the Company as capital on its own account to address the risks associated with its role as the trustee of the Fund.

On the 31 December 2022, $X,XXX,XXX was paid from the Fund to the Trustee Capital Reserve of the Company.

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

Appendix D – New standards forthcoming standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2023 (i.e. years ending 31 December 2022), and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2024.

(a) New standards and amendments – applicable 1 January 2023

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022:

Title	Key requirements	Effective date *
AASB 17 *Insurance Contracts* AASB 2022-5 *Amendments to Australian Accounting Standards – Insurance Contracts [AASB 4 & AASB 17]* AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information [AASB 17]* AASB 2022-8 *Amendments to Australian Accounting* *Standards – Insurance Contracts: Consequential Amendments*	AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2022 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying AASB 17 to investors and others. The amendments also deferred the application date of AASB 17 to 1 January 2023. Further amendments made in March 2022 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of AASB 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of AASB 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of AASB 9. The classification can be applied on an instrument-by- instrument basis.	1 January 2023 (deferred from 1 January 2022) Insurance Industry page In depth INT2022-14 * deferred to 1 July 2026 for public sector entities

AASB 2022-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]* AASB 2022-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards [AASB 1049, AASB 1054 and AASB 1060]*	The AASB amended AASB 101 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the AASB also amended AASB Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendment to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. AASB 2022-6 makes corresponding amendments to Australian specific standards, including the Simplified Disclosure standard AASB 1060.	1 January 2023 In brief INT2022-2 Practice Aid Oct 2022
AASB 2022-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112]*	The amendments to AASB 112 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. AASB 112 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023 In brief INT2022-10
AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15* ^	The AASB added another example to the Australian implementation guidance for AASB 15 which clarifies the accounting for upfront fees. The amendments do not change the requirements of AASB 15 and are only relevant to not-for-profit entities.	1 July 2022
AASB 2022-4 *Amendments to Australian Accounting Standards - Disclosures in Special Purpose Financial*	The amendments apply to for-profit private sector entities • that are required by their constitution or another document to prepare financial statements that comply with Australian Accounting Standards (AAS)	Annual periods ending on or after 30 June 2022

Statements of Certain For-Profit Private Sector Entities	• where the constitution or other document was created before 1 July 2022 and was not amended in any way after that date. While affected entities can continue preparing special purpose financial statements (SPFS), they must explain: • the basis on which they decided to prepare SPFS • information about material accounting policies applied, changes in those policies and the extent of compliance with the recognition and measurement requirements in AAS, and • the application of the consolidation and equity accounting requirements.	
AASB 2022-4 *Amendments to Australian Accounting Standards - Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*	The amendments apply to for-profit private sector entities • that are required by their constitution or another document to prepare financial statements that comply with Australian Accounting Standards (AAS) • where the constitution or other document was created before 1 July 2022 and was not amended in any way after that date. While affected entities can continue preparing special purpose financial statements (SPFS), they must explain: • the basis on which they decided to prepare SPFS • information about material accounting policies applied, changes in those policies and the extent of compliance with the recognition and measurement requirements in AAS, and • the application of the consolidation and equity accounting requirements.	Annual periods ending on or after 30 June 2022
AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*	These are editorial corrections only which do not affect the application of the relevant standards.	1 January 2023

* Applicable to reporting periods commencing on or after the given date.

^ Applicable only to not-for-profit and/or public sector entities.

(b) IFRS IC agenda decisions issued in the last 12 months

As at 30 September 2023, the following agenda decisions were issued that may be relevant for the preparation of annual reports as at 31 December 2022. The date issued refers to the date of the relevant IFRIC Update. For more recent information refer to our website at www.viewpoint.pwc.com.

Date issued	Topic
April 2022	Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7)
May 2022	Principal versus Agent: Software Reseller (IFRS 15)
July 2022	Negative Low Emission Vehicle Credits (IAS 37)
July 2022	Special Purpose Acquisition Companies: Classification of Public Shares as Financial Liabilities or Equity (IAS 32)

July 2022	Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17)
October 2022	Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition
October 2022	Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16); for PwC guidance, see In brief INT2022-15
October 2022	Multi-currency groups of insurance contracts (IFRS 17 and IAS 21)

(c) Forthcoming requirements

As at 30 September 2023, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023. For more recent information refer to our website at www.viewpoint.pwc.com.

Title	Key requirements	Effective date *
AASB 2022-1 *Amendments to Australian Accounting Standards –Classification of Liabilities as Current or Non-current [AASB 101]* AASB 2022-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date [AASB 101]* AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	Amendments made to AASB 101 in 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarified what AASB 101 means when it refers to the 'settlement' of a liability. The amendments were due to be applied from 1 January 2022. However, the effective date was subsequently deferred to 1 January 2023 and then further to 1 January 2024. In December 2022, the AASB made further amendments to AASB 101 in response to concerns raised about these previous changes to the classification of liabilities as current or non-current. The new amendments clarify that covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include: • the carrying amount of the liability • information about the covenants, and • facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants. The amendments must be applied retrospectively in accordance with the normal requirements in AASB 108. Special transitional rules apply if an entity had early adopted the 2022 amendments regarding the classification of liabilities as current or non-current.	1 January 2024 * In brief INT2022-16

AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback [AASB 16]*	In November 2022, the AASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in AASB 16 which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	1 January 2024
AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* ^	The AASB has added authoritative implementation guidance to AASB 13 for application by not-for-profit (NF) public sector entities. The guidance clarifies, for the fair value measurement of assets that are not held primarily for their ability to generate net cash inflows: • That the entity only needs to consider whether the asset's highest and best use differs from its current use when the asset is either – classified as held for sale or held for distribution to owners, or – it is highly probable that the asset will be used for an alternative purpose to its current use. • That the asset's use is 'financially feasible' if market participants would be willing to invest in the asset's service capacity, considering both – the capability of the asset to be used to provide needed goods or services to beneficiaries, and – the resulting cost of those goods or services. • That If both, the market selling price of a comparable asset and some market participant data required to measure the fair value of the asset are not observable, an entity uses its own assumptions as a starting point in developing unobservable inputs and adjusts those assumptions to the extent that reasonably available information indicates that other market participants would use different data. • How the cost approach is to be applied to measure the asset's fair value, including guidance on the nature of costs to induce in the replacement cost of a reference asset and how to identify economic obsolescence.	1 January 2024
AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* ^	The AASB has added modifications to AASB 17 Insurance Contracts which apply only to public sector entities. These modifications provide public sector entities with: • pre-requisites, indicators and other considerations to help identify which arrangements fall within the scope of AASB 17 in a public sector context • an exemption from sub-grouping onerous versus non-onerous contracts at initial recognition	1 July 2026

	• an exemption from sub-grouping contracts issued no more than a year apart • an amendment to the initial recognition requirements so that they do not depend on when contracts become onerous • guidance on coverage periods, which has consequences for assessing eligibility for the premium allocation approach in a public sector context • an accounting policy choice to measure liabilities for remaining coverage applying the premium allocation approach, and • a transition requirement which grandfathers existing arrangements such that they can either be classified as liability for incurred claims within the scope of AASB 17 or a provision within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* ('AASB 137'). AASB 1050 *Administered Arrangements* ('AASB 1050') was also amended to provide an accounting policy choice for government departments to apply either AASB 17 or AASB 137 in determining the information to be disclosed about administered captive insurer activities.	
AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128* AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* AASB 2022-7 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	The IASB has made limited scope amendments to IFRS 10 *Consolidated Financial Statements* ('IFRS 10') and IAS 28 *Investments in Associates and Joint Ventures* ('IAS 28'). The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations* ('IFRS 3')). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. *** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method. However, the AASB cannot legally issue amendments without an operative date. It has therefore initially deferred the application date to 1 January 2018 and subsequently extended this to 1 January 2025. Even though the amendments are not yet mandatory, they can be applied early if an entity elects to do so.	n/a ***

* Applicable to reporting periods commencing on or after the given date.

^ Applicable only to not-for-profit and/or public sector entities.

Appendix E: Impact of climate change on financial statements

1. This appendix discusses how climate change could affect certain measurements and therefore the related disclosures in the financial statements. It also outlines some of the relevant considerations when making estimates and judgements and drafting the relevant disclosures to satisfy the current AAS requirements.
2. Regulators and standard setters around the world have proposed new disclosure requirements triggered by investor demand and, in some cases, designed to inspire efforts to combat climate change. The ESG reporting landscape is dominated by the "big three" proposals released this year:
    a. in the European Union ('EU') as part of the Corporate Sustainability Reporting Directive ('CSRD'),
    b. internationally by the International Sustainability Standards Board ('ISSB'), and
    c. in the United States by the Securities and Exchange Commission ('SEC'). Nearly all public companies are expected to be subject to one or more of these rules, and some may be impacted by all three. Private companies are also likely to need to report in some form whether to investors with enhanced expectations, companies in their value chain, or perhaps mandatorily in jurisdictions like the EU.
3. We have provided signposts throughout the main publication as reminders for readers to refer to this guidance where necessary.
4. For further information see our ESG reporting: Preparing for tomorrow's rules today.

Understand and evaluate ESG reporting requirements

5. Understanding and evaluating ESG reporting requirements is a three-part process:

    a. Assess applicability;

    All US public companies and foreign private issuers would be in scope of the SEC rules, with specific disclosures and assurance requirements that may differ depending on filing status or circumstances (e.g., smaller reporting companies, as defined, would not be required to provide information about scope 3 greenhouse gas emissions). All companies listed on EU exchanges and non-EU entities with "large" (as defined) EU subsidiaries or operations would be in the scope of the ESRS requirements. And companies will need to monitor which countries adopt the ISSB standards or require other local sustainability disclosures. For example, countries including New Zealand, Switzerland, and the United Kingdom have adopted some form of mandatory disclosures aligned with the Task Force on Climate-related Financial Disclosures ('TCFD').

    b. Understand the detailed requirements; and

    Understanding the detailed requirements of the applicable rules will be crucial in ensuring a complete and effective project plan. Although a general understanding of the rules and standards will be sufficient for many within the company, the project team needs to develop expertise on the proposals, including subtle differences if the company will be reporting under more than one framework. For example, the SEC proposal would require companies to disclose climate-related targets and goals if they have them; in contrast, companies subject to reporting in the EU will be required to actually have targets and goals.

    c. Determine the expected reporting timelines.

    The proposed SEC rule included an illustrative timeline with compliance required as early as 2023 for large accelerated filers, given that the final rules have not yet been issued, we now expect the earliest compliance to begin in 2024 (although this remains to be seen when the final rules are issued). The effective date of ISSB standards would be determined by each jurisdiction that adopts them.

    This evaluation should not be limited to the big three proposals, but instead should include a canvas of requirements in all jurisdictions in which the company operates.

Inventory existing climate disclosures and related data

6. A company's existing climate-related disclosures in regulatory filings, sustainability reports, and other public and internal reporting will be the foundation for enhanced voluntary reporting and the expanded disclosures called for by the proposals. Identifying reliable,

repeatable sources of climate data, however, is often one of the primary challenges in cataloguing existing information. Potential challenges include questions about the origin of data, inconsistencies in data culled from multiple or disparate sources, and the sufficiency of data to support extensive estimation. These challenges must be resolved to create robust process documentation that identifies relevant controls related to the mapping of data from the source to the final report.

Create a plan to address gaps

7. After determining which standards are expected to apply, considering the scope of reporting requirements, and assessing the data quality of current disclosures, companies will need to identify the reporting gaps between current state and future state focused on data, processes, and controls. In some cases, determining the gap may require tentative decisions about how to interpret unclear language or requirements in the proposals. And while the final rules and standards may provide some additional clarity, interpreting the requirements now will provide companies with foundational understanding when the final rules and standards are issued.

   Some of the challenges in interpreting the proposals are highlighted on page 4 of the in-depth publication ESG reporting: Preparing for tomorrow's rules today, and include action items for stakeholders to consider.

Impact of climate-related risk on the financial statements

Note 1 – Going concern

AASB101(25)
ASA570(19)

8. AASB 101 requires management to assess an entity's ability to continue as a going concern when preparing financial statements. In assessing whether the going concern basis of preparation is appropriate, management considers all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. If climate-related matters create material uncertainties related to events or conditions that may cast significant doubt on a entity's ability to continue as a going concern, an entity should disclose these uncertainties even if the financial statements continue to be prepared on a going concern basis. See the commentary to **note 1** for further guidance on going concern disclosures.

AASB101(122)

9. Where management has concluded that there are no material uncertainties related to the going concern assumption that require disclosure, but reaching that conclusion involved significant judgement (for example, about the feasibility and effectiveness of any planned mitigation), AASB 101 requires disclosure of that judgement. Entities should also consider the interrelationship with the liquidity risk disclosures discussed in **note 3(d)**.

AASB7(39)

Notes 5 - Fair value measurements

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

10. AASB 13 requires disclosure of the inputs used in fair value measurements and, for recurring fair value measurements with significant unobservable inputs, a description of the sensitivity of those measurements to changes in unobservable inputs.
11. Fair value is a market-based measurement which maximises the use of observable inputs and uses assumptions that market participants would use when pricing the asset or liability. These might include assumptions about climate-related risks.
12. Fair value measurements using observable (that is, level 1) inputs will already reflect market participant views of climate change impacts. For example, the quoted equity price of an entity in the extractives or agriculture industries will reflect market participant expectations about potential climate risk scenarios.
13. However, valuation models for items that are not traded in an active market should be reviewed to ensure that they adequately represent market participant assumptions for the particular item being valued.
14. Inputs and assumptions which might be impacted by climate-related risk include, but are not limited to:
    a. discount rates
    b. the timing and amount of forecasted cash flows (For example, the fair value measurement for an investment property might need to be adjusted to reflect climate impacts on rental income, occupancy rates as well as insurance cost assumptions.)
    c. the highest and best use for certain assets measured at fair value

d. inflation rates, and

e. other assumptions that a market participant would consider in the circumstances.

Note 3(a) – Financial risk management – market risk

AASB7(Appendix A)

17. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by:

    a. factors specific to the individual financial statement or its issuer, or

    b. factors affecting all similar financial instruments traded in a market.

AASB7(40)

Entities must disclose a sensitivity analysis which shows how profit or loss and equity would have been affected by changes in risk variables.

AASB7(40),(41)

18. Climate risk could have a significant impact on market risk, for example, for investments in industries impacted both positively and negatively by climate-related risk. In some cases, it may be necessary to provide additional explanations and disclose a sensitivity analysis that reflects interdependencies between risk variables. For example, if an entity has an interest rate that is floating based on both meeting its climate initiatives and a market benchmark, the entity should consider disclosing how the impact of meeting the climate initiative was incorporated into the sensitivity analysis.

Note 3(c) – Financial risk management – credit risk and concentrations of risk

AASB7(34)(c),(B8)

19. AASB 7 requires that entities disclose concentrations of risk including:

    a. how management determines such concentrations

    b. a description of the shared characteristic that identifies each concentration, and

    c. the amount of the risk exposure associated with all financial instruments sharing that characteristic.

20. Entities might have to change the way in which they are approaching their risk concentration disclosures to take into account climate-related risk. For example, more precision in determining geographic concentration might be necessary to reflect heightened risk in particular areas (such as city versus provincial/state disclosures where a particular city is particularly impacted) or more precision in the industry sector (such as a more precise disaggregation of exposure to different industrial products sectors based on carbon intensity).

Note 3(d) – Financial risk management – liquidity risk

AASB7(Appendix A)

21. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

AASB7(39)

22. Entities are required to disclose a maturity analysis for their financial instruments as well as a description of how they manage the liquidity risk inherent in the maturities.

AASB7(B11D)

23. Where the impacts of climate change could accelerate the timing or alter the amount of contractual maturities of financial liabilities, for example as a result of clauses in a sustainability linked loan, entities should disclose that information.

24. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed will be based on the index's level at the end of the period. In this case, entities should disclose the risk that the amount payable will increase depending on the index.

AASB101(135)(a)(ii)

25. As an entity's climate-related risk exposures become more significant, there could also be growing pressure on an entity's debt covenants. In this context, disclosures about key covenants might become increasingly material. Reduced access to funding from investors in carbon-intensive industries could also be a risk that entities need to address and disclose.

Emissions trading schemes

26. There is no specific accounting standard that deals with accounting for emissions trading schemes. IFRIC 3 *Emission Rights* was intended to address the accounting in this area, but it was withdrawn in 2005.

AASB101(117)-(117B)

27. The withdrawal of IFRIC 3 means that there are a number of accounting models that entities can use under AASB 108 in accounting for the participation in these schemes. Entities should disclose the accounting policies adopted for:

    a. recognition

    b. initial measurement

    c. subsequent measurement, and

    d. presentation of the balances.

    See the discussion about disclosure of accounting policies in paragraphs above.

28. Emissions credits granted by a government entity are generally accounted for under AASB 120 as the receipt of a non-monetary asset. However, AASB 120 allows for different accounting policy choices with respect to measurement on initial recognition and the presentation in both the balance sheet and the income statement. Disclosure of the accounting policy for these programs is key to understanding the impact of these programs on the financial statements.

29. To the extent that entities determine that aspects of their emissions trading schemes meet the definition of financial assets and qualify for derivative or hedge accounting they should further consider the disclosure requirements of AASB 7 and AASB 13.

30. For a detailed discussion on accounting for emissions trading schemes refer to our publication Emissions trading schemes: The opportunities ahead.

Appendix F – Abbreviations

Abbreviations used in this publication are set out below.

AAS	Australian Accounting Standards
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
ADI	Authorised Deposit taking Institution
AfS	Available for sale (financial assets)
AFSL	Australian Financial Services Licence
AGS	Auditing Guidance Statements
AIFRS	Australian equivalents to International Financial Reporting Standards
APES	Standards issued by the Accounting Professional & Ethical Standards Board (APESB)
APRA	Australian Prudential Regulation Authority
APS	Miscellaneous Professional Statements
ASA	Auditing Standards issued by the AUASB under the *Corporations Act 2001*
ASIC	Australian Securities and Investments Commission
ASIC Act	*Australian Securities and Investments Commission Act 2001*
ASIC MR	ASIC Media Releases
AUASB	Auditing and Assurance Standards Board
bps	basis points
CA	*Corporations Act 2001*
CAANZ	Chartered Accountants in Australia and New Zealand
CPA	CPA Australia
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
ITC	Invitation to Comment issued by the AASB
RCF	(Revised) Conceptual Framework issued by the IASB in 2018
RSE	Registerable Superannuation Entity
SAC	Statements of Accounting Concepts
SIC	Interpretations issued by the Standing Interpretations Committee of the International Accounting Standards Committee, the predecessor of the IASB.
SIS	Superannuation Industry (Supervision) Act 1993
SPS	Superannuation Prudential Standard
SFT	Successor Fund Transfer
UIG	Urgent Issues Group
UIG (Number)	UIG Interpretations

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