

# Value Accounts Superannuation Funds

Annual financial reporting

May 2021



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This illustrative publication presents the sample annual financial report of a fictitious superannuation fund, VALUE ACCOUNTS Superannuation Fund. It illustrates the financial reporting requirements that would apply to such funds under Australian Accounting Standards on issue at 31 January 2021. Supporting commentary is also provided. For the purposes of this publication, VALUE ACCOUNTS Superannuation Fund is overseen by the Registerable Superannuation Entity (RSE) Licensee.

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

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

VALUE ACCOUNTS Superannuation Fund 2021 is for illustrative purposes and should be used in conjunction with the relevant legislation, standards and other reporting pronouncements.

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# Foreword

Welcome to the 2021 edition of the Superannuation Fund financial reporting publication in our VALUE ACCOUNTS series.

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

The fictitious circumstances of this scenario have been chosen to illustrate the most common and significant accounting matters and associated disclosures under Australian Accounting Standards, and in particular, the requirements of AASB 1056 *Superannuation Entities*. The publication should be read in conjunction with the VALUE ACCOUNTS Investment Fund 2021 publication.

We have included a summary of other recent developments which are summarised in the “Other topical issues” section which begins on page 3. These include important changes to a Trustee’s right to be indemnified out of fund assets for penalties impose under Commonwealth law and other important regulatory developments.

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

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



**Craig Cummins**  
Superannuation, Asset and Wealth Management Leader  
PwC

18 May 2021

# Value Accounts – Superannuation Fund

## Annual financial reporting 2021

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# Introduction

This publication presents illustrative general purpose financial statements (GPFS) of a fictitious superannuation fund, VALUE ACCOUNTS Superannuation Fund. The financial statements comply with the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and authoritative pronouncements on issue at 31 January 2021 that are operative for periods commencing from 1 July 2021.

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

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

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

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

## VALUE ACCOUNTS structure and materiality

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

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

## New disclosures illustrated this year

There were only a few revisions to the financial reporting requirements that became applicable this year, and none of them had any impact on VALUE ACCOUNTS Superannuation Funds disclosures. Our fact pattern further assumes that VALUE ACCOUNTS Superannuation Funds will not be materially 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 reforms may need to explain the changes to their accounting policies arising from the adoption of the *Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Leases*. These entities may also need to provide additional disclosures, including information about risks arising from the IBOR reform, how the entity manages the transition to the alternative benchmark rate(s) and quantitative information about derivatives and non-derivatives that have yet to transition. 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 IFRS 7 for a cash flow hedge and other financial instruments typical of a corporate entity which applies IFRS 9 to its hedge accounting relationships.

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

## Feedback

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

## Assumptions

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

- This is a hybrid fund with both defined contribution and defined benefit members.
- The Fund has two defined benefit sub-plans. One sub-plan is in a satisfactory position and the other sub-plan is in deficit.
- With regards to the insurance arrangements for members, the Fund does not act in the capacity of an insurer. The additional requirements for funds acting as an insurer are illustrated in Appendix A.
- Administration fees are deducted from member accounts.
- In order to help explain the risks to which the different categories of members are exposed, the Trustee has disaggregated financial information in respect of defined contribution and defined benefit member balances.
- For the purposes of meeting the requirements of *Superannuation Prudential Standard (SPS) 114 Operational Risk Financial Requirement*, the ORFR target level is 25 basis points of net assets and is fully funded.
- The Fund does not have any investments that are controlled entities.

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

# Other topical issues

## **The Financial Sector Reform (Hayne Royal Commission Response) Act 2020 – Amendment of SIS limitations on trustee indemnity**

The *Financial Sector Reform (Hayne Royal Commission Response) Act 2020 (Cth)* (the 'FSR Act') received the Royal Assent on 17 December 2020.

The FSR Act amended Sections 56 and 57 of the *Superannuation Industry (Supervision) Act 1993* (the 'SIS Act') to prohibit superannuation trustees and trustee directors from using trust assets to pay criminal, civil or administrative penalties incurred in relation to a contravention of a Commonwealth law. The amendments to the SIS Act are effective from 1 January 2022 and have far reaching consequences for trustees of regulated superannuation entities and their directors. The scope of potential criminal, civil and administrative penalties for trustees is extremely broad and include, but are not limited to, the SIS Act, Corporations Act, Anti-Money Laundering and Counter-Terrorism Financing Act, Tax and Privacy laws.

Trustee's will therefore need to have (or have access to) sufficient capital to pay a civil, criminal or administrative penalty imposed in relation to a contravention of a Commonwealth law in order to avoid insolvency and the possibility of being disqualified from acting as a trustee. Insolvency of the Trustee may also result in personal liability risks for the trustee's directors.

Trustees should formulate a course of action in order to accumulate and/or maintain an appropriate amount of capital which is likely to include steps to:

- Develop a framework to identify potential penalties under a Commonwealth law which the trustee could incur, the likelihood of a penalty being incurred and determine the appropriate amount of trustee capital to be held or accessed given the nature and structure of the trustee's business and any relevant insurance arrangements.
- Consider the legal, tax and equity implications associated with the various options for raising or accessing trustee capital.
- Develop a plan to access, build and maintain an appropriate amount of trustee capital.
- Establish controls and processes to identify and monitor all civil, criminal or administrative penalties imposed on the trustee in relation to a contravention of a Commonwealth law to ensure they are not paid out of fund assets
- Monitor the adequacy of trustee capital given the ongoing experience of the Trustee and broader business requirements.

Penalties may be avoided by having a robust end to end control environment. Trustees should consider the design and operating effectiveness of controls across the three lines of defence and oversight of service providers in their assessment and monitoring of the potential exposure to these penalties.

For further information refer to:

<https://www.legislation.gov.au/Details/C2020B00161>

## **Treasury Laws Amendment (Your Future, Your Super) Bill 2021**

In February 2021, the Federal Government introduced the *Treasury Laws Amendment (Your Future, Your Super) Bill 2021* (the 'Bill') which is scheduled to commence on 1 July 2021. Under the package, the superannuation system will be significantly enhanced by:

- Having your superannuation follow you: preventing the creation of unintended multiple superannuation accounts when employees change jobs.
- Making it easier to choose a better fund: members will have access to a new interactive online YourSuper comparison tool which will encourage funds to compete harder for members' savings.
- Holding funds to account for underperformance: to protect members from poor outcomes and encourage funds to lower costs an annual objective performance test will be introduced. Funds that fail will be required to inform members and persistently underperforming products will be prevented from taking on new members.
- Increasing transparency and accountability: increasing trustee accountability by strengthening their obligations to ensure trustees only act in the best financial interests of members. Superannuation funds will be required to provide better information regarding how they manage and spend members' money in advance of Annual Members' Meetings and disclose all of their portfolio holdings to members.



## Best Financial Interests

The Bill proposes to add the word 'financial' to the existing best interest obligations in the *Superannuation Industry (Supervision) Act 1993* (the 'SIS Act'). The objective of this amendment is to increase the trustee accountability by strengthening their obligations to act in the best financial interests of members.

This amendment aims to remove the ambiguity on how the trustee should be spending members' money, and to impose the onus on the trustee to be able to demonstrate a reasonable basis that supports their spending being in line with members' best financial interests.

The penalty provisions introduced under the *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No. 1) Act 2019* will apply for breaches of the new duty for both the trustee and individual directors.

For further information refer to:

<https://treasury.gov.au/publication/p2020-super>

<https://treasury.gov.au/consultation/c2020-124304>

## APRA Reporting & Approved auditors report

APRA have expressed concern regarding the number of APRA return's re-submitted by funds since the release of their first MySuper Product Heatmap in December 2019.

As a result, APRA have reviewed the reporting framework for superannuation entities and have indicated that APRA Reporting Forms SRF533.0 and SRF702.0 will be required to be subject to reasonable audit assurance rather than limited assurance from 1 July 2021. Trustees should ensure appropriate procedures, controls and evidence are in place to support the accurate preparation and audit of these forms prior to 1 July 2021.

### KAMs (Key Audit Matters):

APRA have consulted with the audit profession on the merits of adopting KAMs in the financial statements audit opinions for superannuation funds. The objective of introducing KAMs is to provide greater transparency to the users (including members) of the key matters considered by the auditor and reflects the current market and community expectations of superannuation funds. KAMs allow users of the financial statements to see the key risks identified by the auditor and the auditor's response to the risk identified.

APRA have confirmed that auditors are permitted to voluntarily adopt KAMs in the 2021 reporting season and have made the necessary amendments to the prescribed APRA forms to facilitate the inclusion of KAMs. It is likely that KAMs may become compulsory in future years.

For further details please refer : <https://www.legislation.gov.au/Details/F2019C00099>

[https://www.auasb.gov.au/admin/file/content102/c3/ASA\\_701\\_Compiled\\_2019-FRL.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ASA_701_Compiled_2019-FRL.pdf)

## The coronavirus (COVID-19) – Accounting Implications

In the last 12 months, the biggest impact on financial statements of entities around the world was the COVID-19 pandemic. Most entities continue to be affected by this in one form or another and should discuss the impact prominently in their financial statements.

However, as the events are still unfolding, this publication does not provide any illustrative examples or guidance. Instead, we refer our readers to our dedicated [COVID-19 web site](#) which provides many useful resources, including disclosure examples, and which is constantly being updated to reflect the latest developments.

The document below also comments on the areas potentially effected by COVID-19:

<https://www.pwc.com.au/assurance/ifrs/assets/straight-away-alert-20200323.pdf>

## Regulatory Guide 97 Disclosing fees and costs in Product Disclosure Statements (PDS) and periodic statements

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

This follows feedback from industry to ASIC's Consultation Paper (CP 308) in relation to proposed amendments to RG97 and incorporates all key recommendations from Darren McShane's (the independent expert) report of August 2018 issued to ASIC. Modifications of the law have been achieved by way of two legislative instruments, *ASIC Corporations (Disclosure of Fees and Costs) Instrument 2019/1070* and *ASIC Corporations (Amendment) Instrument 2019/1071*.

These instruments are mandatory for all PDS' issued on or after 30 September 2022 and can be early adopted after 30 September 2020.

The key changes to RG97 are:

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

For further information refer to:

<https://www.pwc.com.au/asset-management/revised-rq97-pwc-summary-of-key-changes-final-10dec19.pdf>

## Design and Distribution Obligations ('DDO')

On 11 December 2020, the Australian Securities and Investments Commission (ASIC) released its final Regulatory Guidance on DDO (RG 274). Following an extensive consultation process between ASIC and the wider financial industry and a two-year transition period, the DDO regime is set to commence on 5 October 2021.

The DDO require issuers of retail financial products to:

- Make a target market determination (TMD) for each retail product: the TMD must meet the specified content requirements, and the 'appropriateness requirement', this involves:
  - a) considering the 'key attributes' of the product in line with the likely objectives, financial situation and needs of the consumers; and
  - b) to conduct a 'critical assessment'
- Make the TMD publicly available and free of charge before distribution of the financial product can take place
- Take reasonable steps in relation to distribution that will, or are reasonably likely to, result in distribution being consistent with the most recent TMD
- Review the TMD to ensure that it remains 'appropriate'. The review process must be established as part of the issuer's product governance arrangements, and controls should be put in place to ensure that meaningful reviews take place
- Notify ASIC of a significant dealing in a product that is not consistent with the product's TMD
- Keep accurate records of decisions made in relation to TMDs and associated reviews

The DDO will require 'distributors' of financial products to:

- Only distribute a financial product if they reasonably believe (after making all reasonable inquiries) that a TMD has been made, or that a TMD is not required
- Notify the issuer of a significant dealing in a product that is not consistent with the product's TMD
- Keep complete and accurate records and reporting information, including the number of complaints received about the product and information specified by the issuer in the TMD

- Take reasonable steps in relation to distribution, this involves compliance with distribution conditions and methods; taking into account marketing and promotion materials; and effective product governance arrangements.

### **DDO creates a number of imperatives for financial services firms**

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

We believe organisations have an opportunity to derive value from DDO implementation beyond compliance, such as delivery of customer strategy and product simplification. To do this, the development of the DDO framework should be a purpose-driven exercise as opposed to a compliance-led response. DDO is not just a matter for regulatory specialists, but requires collaboration between regulatory, product, customer, legal, technology, and marketing. In preparation for 5 October 2021 compliance, financial services firms should ensure:

- That choice architecture is considered at both, a product design level and also from a distribution and sales perspective
- An uplift in data analytics capabilities to ensure the collection and analysis of reliable consumer, product performance and transaction data.
- Implementation readiness including clarity of accountabilities, technology and process changes, front line staff readiness and skills, and cultural change

ASIC has clearly articulated that DDO is an area for focus for them and something they expect industry to put customer's interests at the heart of everything they do. In November 2020, Karen Chester, Acting Chair, ASIC commented that 'The easiest way to stay off our radar is by living up to Parliament's and community expectations and following the DDO roadmap. Our new age is about awareness of market realities and placing a competitive market, and consumer outcomes, at the centre of everything we do.'<sup>[1]</sup>

[1] Refer to <https://asic.gov.au/about-asic/news-centre/speeches/getting-on-with-it/>

For more details, refer to: <https://www.pwc.com.au/industry/financial-services/assets/publications/pwc-design-distribution-obligations-insights-dec20.pdf>

### **The Financial Accountability Regime (FAR)**

In response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Treasury will be releasing legislation for the Financial Accountability Regime (FAR) which will be an extension of the BEAR to all APRA-regulated entities and will ultimately supersede the BEAR. The legislation is expected to be released in the first half of 2021 for introduction into Parliament in the 2021 Winter sitting.

Beyond all ADIs that are subject to the BEAR, the FAR will be extended to all other APRA-regulated entities:

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

On 11 December 2020, APRA released the Information Paper: Implementation of the BEAR (the Information Paper) outlining its observations and feedback from the post implementation review of the large ADIs that had implemented BEAR. The Information Paper does not create any new obligations for ADIs but rather shares examples of better practice which can be applied not only to ADIs, but to all other entities including those captured under the upcoming FAR. APRA's post implementation review highlights the importance of an Accountability Regime in APRA's supervisory approach.

Below is a summary of the key elements of the Information Paper which is designed to provide practical insights to strengthen and embed an accountability regime.

- Support for BEAR implementation and operation including reasonable steps
- Defining accountabilities
- Delivering on accountability
- Consequence management
- BEAR for non-executive directors

**For further information please refer to:** [https://www.pwc.com.au/industry/financial-services/assets/publications/pwc\\_apra\\_information\\_paper\\_implementation\\_of\\_the\\_bear.pdf](https://www.pwc.com.au/industry/financial-services/assets/publications/pwc_apra_information_paper_implementation_of_the_bear.pdf)

## APRA Prudential Standards – Recent developments

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

Under SPS 515, trustees have to demonstrate that their strategic planning processes meet APRA's requirements and undertake an annual assessment of outcomes delivered to members. The first assessments of outcomes (the Legislated Outcomes Assessment or LOA) have now been published in February/March 2021 by superannuation funds offering MySuper or Choice products.

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

We expect that APRA will continue to embed its strengthened focus on member outcomes as the centrepiece of its supervisory approach in superannuation. In particular, over the next year we can expect an increased focus from APRA in relation to:

- How funds have documented their methodology and approach to their outcomes assessments
- Improvement in the outcomes assessments reflecting industry best practice following publication of the first set of LOAs in February/March 2021
- The development of standard metrics for Choice products and any adjustment to existing MySuper metrics allowing for the Your Future, Your Super 2020 budget changes

APRA has also identified underperforming funds across the key heatmap metrics. APRA will continue to focus on how these funds are making changes to their operations to address areas of relative underperformance or exploring options to merge.

We expect that member outcomes will continue to evolve, for example in the following areas:

- A focus on understanding the experience of each and every member not just the average member.
- Data is key to member outcomes as Funds will need to consider whether there is a single source of truth for this data and how accurate is it?
- Do Trustees need to further refine or amend their strategy and plan to execute it?

Where outcomes are not being met, Trustees need to be realistic about whether it is going to be possible to materially do better within a reasonable time period and at a reasonable cost, or whether pursuing other options earlier would be better for members.

### ***Prudential Standard CPS 234 – Information Security (CPS 234)***

In November 2020, APRA released its 2020-2024 Cyber Security Strategy on a page. This included a focus on establishing a baseline of cyber controls by reinforcing embedding non-negotiable cyber practices, facilitating better sharing of cyber information and enabling more effective incident response processes noting they are still seeing too many basic cyber hygiene issues across the industry. APRA aims to enable Boards/Senior officer outside Australia (SOOA) and executives to oversee cybersecurity exposures and provide direction for correction and remediation where required. Boards/SOOA should be properly equipped to oversee cyber matters and direct corrective action where necessary.

As part of the announcement, APRA also shared its intention to request independent tripartite cyber security reviews across all APRA regulated entities as defined in paragraph 2 of CPS 234. These are to be performed by external firms and reported back to APRA. Nine entities have been selected by APRA to participate in a pilot of the CPS 234 tripartite reviews with reports issued by 1 June 2021.

Areas for funds to consider include:

#### **Boards/SOOA oversight & governance**

Evidence suggests that there is a need to increase challenge and demonstrate stronger decision making relating to cybersecurity by appropriately skilled Boards/SOOA and senior executives. To enable Boards/SOOA to discharge their duties, adequate cyber security reporting is required to increase visibility of cyber threats, along with evidence of demonstrable actions resulting from this reporting.

## Understanding the control sets for each relevant entity.

Challenges for many entities include:

- Having formal controls in place for each requirement of the standard
- Where there are multiple entities under a group structure, do the compliance controls differ? Are these homogeneous?
- Obtaining comfort over group/parent operated controls
- Third parties

CPS 234 requires that where information assets are managed by third parties, the standard will apply in relation to those information assets from the earlier of the next renewal date of the contract with the third party or 1 July 2020. Some entities received extensions from APRA to 31 December 2020. Therefore, the processes and controls for managing information security in the context third party suppliers may be newly implemented. This could mean entities have not yet embedded or independently tested these controls.

## Evidence of the operation of controls

Where controls operate within an entity's ecosystem to achieve compliance with CPS 234, the formality of the evidence that exists may vary. The tripartite requires testing of the design and operating effectiveness of these controls. As such, evidence of their operation will need to be documented and retained.

## Role of internal audit

APRA noted the importance of an appropriately skilled and well-resourced internal audit function that provides effective challenge to the board and management on cyber risk, gaps and the progress on remediation. To enable this, the internal audit plan should provide breadth and depth of information security controls coverage, in a timeframe commensurate with the risk of the information assets being protected.

## What happens next?

APRA are looking to expedite positive change to protect institutions, the customers that rely on them and the broader financial system. This is in line with their "constructively tough" enforcement philosophy, which can include forcing entities to issue a breach notice and create a rectification plan.

For more details, refer to:

<https://www.pwc.com.au/assurance/protecting-and-realising-the-value-of-digital-assets/CPS234.html>

## Cyber Resilience

APRA's 2020-2024 Cyber Security strategy focuses on improving cyber resilience across the financial system. The updated strategy seeks to influence the financial system more broadly (i.e. not only the financial entities APRA regulates, but also the broader eco-system of suppliers and providers that financial institutions rely upon). In doing so, as resource levels permit, APRA will progress from its current focus on cyber supervision to a more expansive approach, applying a broader set of tools and techniques. This will also necessitate acting in concert with peer regulators and other government agencies, as well as supporting and leveraging the Australian Government's 2020 Cyber Security Strategy.

Areas that are in APRA's consideration include:

- Establishing a baseline of cyber controls by reinforcing embedding of non-negotiable cyber practices, facilitating sharing of relevant and timely cyber information and enabling effective incident response for the financial system;
- Enabling the Board and executives of financial institutions to oversee and direct the correction of cyber exposures by formulating sound practice guidance and stepping up APRA's scrutiny of cyber oversight practices;
- Identify and focus on work to address weak links within the broader financial eco-system and supply chain by fostering maturation of provider cyber-assessment and assurance and harmonising the regulation and supervision of cyber across the financial system; and
- Innovate using impactful regulatory tools and approaches by actively harmonise regulatory cyber efforts and dialling-up supervision scrutiny and intensity.

For more details, refer to:

<https://www.pwc.com.au/assurance/protecting-and-realising-the-value-of-digital-assets/third-party-assessment.html>

## Internal Dispute Resolution

Regulatory Guide 271: Complaints (RG 271) – Having in place sound complaint handling procedures is a good way to identify and understand issues impacting members. On 30 July 2020 ASIC released RG 271 that details updated requirements for how financial services firms deal with consumer and small business complaints under their Internal Dispute Resolution (IDR) procedures. RG 271 is effective 5 October 2021 and until then firms must continue to adhere to RG 165 Licensing: Internal and external dispute resolution (RG 165). ASIC is expected to withdraw RG 165 on 5 October 2022. Some of the key changes of RG 271 include:

- Reducing timeframes to resolve complaints
- Requirements to provide the IDR final outcome to the complainant as well as the right to escalate to Australian Financial Complaints Authority (AFCA)
- Complainant may be offered the option to escalate their complaint to the customer advocate
- Dealing with a representative of the complainant
- Reviews must be undertaken to assess whether the IDR process is adequately resourced.

For further information refer to:

<https://www.pwc.com.au/industry/financial-services/assets/publications/regulatory-guide271-internal-dispute-resolution-key-changes-required.pdf>

## Breach reporting

Following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, new legislation was recently passed to strengthen the existing breach reporting regime (effective from 1 October 2021) for the Australian Financial Service Licence holders (the Licensee). The legislation has introduced significant changes to the scope and timing of the Licensee's breach reporting and remediation obligations along with increased penalties for not complying with breach reporting obligations.

For further information refer to:

<https://www.pwc.com.au/financial-services/strengthening-breach-reporting-march-2021.pdf>

## Environmental, Social and Governance (ESG)

Environmental, social and governance (ESG) issues continue to be a priority for shareholders, broader stakeholders and regulators and the expectations on management and directors are increasing rapidly. While climate change risks continue to be a key area of focus, broader ESG issues are also requiring more attention.

The landscape is constantly evolving, some of the more significant recent developments are:

- Ever changing investor expectations – Investors want to know more about ESG risks and how they are managed, with disclosures using credible, standardised information.
- Corporate governance principles – Recent changes to the ASX Corporate Governance Principles have now come into force and introduce new requirements on ESG metrics being reported.
- Climate Change & Emerging Risks – Regulators are focusing on disclosures of these risks, if significant to the entity, in the financial report.

For further information please refer to:

<https://www.pwc.com.au/assurance/assets/esg-and-the-role-of-the-board-2021.pdf>

<https://www.pwc.com.au/assurance/environmental-social-and-governance-reporting.html>

## APRA – SPG 530 Investment Governance

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

For further information please refer to:

<https://www.apra.gov.au/understanding-and-managing-financial-risks-of-climate-change>

### AASB – Financial Statement Considerations

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

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

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

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

For further information please refer to:

[https://www.aasb.gov.au/admin/file/content102/c3/AASB\\_AUASB\\_Joint\\_Bulletin\\_Finished.pdf](https://www.aasb.gov.au/admin/file/content102/c3/AASB_AUASB_Joint_Bulletin_Finished.pdf)

### ISA 540 (REVISED), AUDITING ACCOUNTING ESTIMATES AND RELATED DISCLOSURES:

The IAASB revised its standard on accounting estimates, ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, to respond to the rapidly evolving business environment. The revision ensures that the standard continues to keep pace with the changing market and fosters a more independent and challenging skeptical mindset in auditors.

ISA 540 (Revised) becomes effective for financial statement audits for periods beginning on or after December 15, 2019.

The IAASB has made the following key enhancements to ISA 540 (Revised) which requires:

- Explicitly recognising the spectrum of inherent risk;
- Introducing the concept of inherent risk factors, including not only estimation uncertainty but also complexity, subjectivity and others;
- Enhancing risk assessment procedures relating to obtaining an understanding of the entity and its environment, including the entity's internal control;
- Introducing a separate assessment of inherent risk and control risk for accounting estimates;
- Emphasising the importance of the auditor's decisions about controls relating to accounting estimates by highlighting relevant requirements in ISA 315 (Revised) and ISA 330 (paragraphs 19 and 20).

For further details please refer:

<https://www.ifac.org/system/files/publications/files/ISA-540-At-a-Glance.pdf>

[https://www.ifac.org/system/files/publications/files/ISA-540-Revised-and-Conforming-Amendments\\_0.pdf](https://www.ifac.org/system/files/publications/files/ISA-540-Revised-and-Conforming-Amendments_0.pdf)



## ASIC Areas of Focus

In December 2020, ASIC released its areas of focus for December 2020 year ends. As the impact of COVID-19 continues, the areas identified remain similar to those at 30 June 2020. ASIC expects directors, preparers of financial reports and auditors to pay particular attention to the areas listed below.

| ASIC Area of Focus                                                                | Nature                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Asset values</b>                                                               | <p>Matters that may require specific focus include:</p> <ol style="list-style-type: none"> <li>1. Impairment of non-financial assets;</li> <li>2. Values of property assets;</li> <li>3. Expected credit losses on loans; and receivables</li> <li>4. Values of other assets.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                  | 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.                                                                                                                                                                                                                                               |
| <b>Provisions</b>                                                                 | Trustees, preparers and auditors should consider the need for provisions for matters such as onerous contracts, financial guarantees given and restructuring.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | With significant transactions and decisions as a result of COVID-19, it will be particularly important to consider the application of AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> , in determining whether provisions or contingent liabilities or assets should be recorded at year-end. Assumptions and estimates used in estimating provisions may also be subject to change, including relevant discounts rates. |
| <b>Solvency and going concern assessments</b>                                     | <p>Some of the factors to consider in relation to asset values, liabilities and assessments on solvency and going concern continue to include:</p> <ol style="list-style-type: none"> <li>1. business and domestic/international economic factors</li> <li>2. industry-specific factors</li> <li>3. impact on customers, borrowers and lessees</li> <li>4. exposures to overseas operations, transactions and currencies</li> <li>5. duration of containment measures and business closures</li> <li>6. impact on short-term operating cash flows</li> <li>7. debt refinancing, borrowing covenants, lender forbearances and liquidity support</li> </ol> | Management should consider their expectations in respect of significant redemptions, and whether large withdrawals could impact the solvency and going concern of a superannuation fund.                                                                                                                                                                                                                                                          |
| <b>Events occurring after year end and before completing the financial report</b> | 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.                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>For superannuation funds, it is expected that any decisions taken subsequent to the year end are appropriately accounted for or disclosed.</p> <p>For example, subsequent events impacting the judgements and assumptions in respect of level 3 investments may arise, and should be monitored closely.</p>                                                                                                                                    |



| ASIC Area of Focus                                                                  | Nature                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Disclosures in the financial report and Operating and Financial Review (OFR)</b> | <p>Disclosures should be specific to the circumstances of the entity, its business, its assets and its financial position and performance.</p> <p>The financial report should explain uncertainties, key assumptions and sensitivities. This will assist members in understanding the approach taken, the potential future impacts and comparisons between entities.</p> <p>ASIC has further reminded entities that non-IFRS financial information must not be presented in a potentially misleading manner.</p> | <p>Preparers should refer to RG 247 to ensure appropriate disclosures are included in the financial statements of entities. It should also</p> <ul style="list-style-type: none"> <li>disclose how the superannuation funds are impacted by the COVID-19 pandemic;</li> <li>explain the underlying drivers of the results and financial position, as well as risks, management strategies and future prospects; and</li> <li>Include and give appropriate prominence to significant factors not attributable to the COVID-19 pandemic.</li> </ul> |

For further information on the ASIC areas of focus refer to:

<https://asic.gov.au/about-asic/news-centre/find-a-media-release/2020-releases/20-325mr-asic-highlights-focus-areas-for-31-december-2020-financial-reports-under-covid-19-conditions/>

Also please refer to: <https://www.pwc.com.au/assurance/ifrs/assets/straight-away-alert-20200721.pdf>

AASB101(49),(51)(a)

# Value Accounts Superannuation Fund

**ABN 43 251 987 634**

AASB101(51)(c)

## Annual report – 30 June 2021

### Financial statements

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## Financial statements

### Accounting standard for financial statements presentation and disclosures

- |                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB1056(2)                  | 1. AASB 1056 <i>Superannuation Entities</i> applies to general purpose financial statements of each superannuation entity that is a reporting entity.                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| AASB1056(6)                  | 2. Where AASB 1056 is silent on accounting treatment and disclosure, the requirements of other applicable Accounting Standards need to be applied.                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| AASB1056(8)                  | 3. According to AASB 1056, a superannuation entity shall present: <ul style="list-style-type: none"> <li>(a) a statement of financial position as at the end of the reporting period</li> <li>(b) an income statement for the period</li> <li>(c) a statement of changes in equity/reserves for the period</li> <li>(d) a statement of cash flow for the period</li> <li>(e) a statement of changes in member benefits for the period, and</li> <li>(f) notes to the financial statements.</li> </ul>                                                                                  |
| AASB101(11)                  | 4. The statements must all be presented with equal prominence.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| AASB101(10)                  | 5. The titles of the individual statements are not mandatory and an entity can, for example continue to refer to the statement of financial position as 'balance sheet' and to the income statement as 'profit or loss'. VALUE ACCOUNTS Superannuation Fund has chosen to retain the titles statement of financial position and income statement, as they are in line with AASB 1056.                                                                                                                                                                                                  |
| AASB10(27)<br>AASB1056(AG51) | 6. VALUE ACCOUNTS Superannuation Fund does not illustrate consolidated financial statements. Most superannuation Funds would qualify as an 'investment entity' and apply the exception under AASB 10 <i>Consolidated Financial Statements</i> . However, where that is the case, additional disclosures will be required under AASB 12 <i>Disclosure of Interests in Other Entities</i> . 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. |
| AASB12(19A-G)                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

### Pooled superannuation trusts (PSTs)

- |               |                                                                                                                                                                                                                                                                                      |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB1056(AG1) | 7. While PSTs are required to prepare financial statements in accordance with the <i>SIS Act</i> and <i>SIS Regulations</i> , AASB 1056 does not apply to PSTs. Refer to illustrative disclosures for PSTs in our VALUE ACCOUNTS Investment Funds 2021 publication pages 118 to 135. |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

AASB 1056(8a)

**Statement of financial position<sup>1-15</sup>**

|                                                                                          | Notes | 2021<br>\$'000    | 2020<br>\$'000 |
|------------------------------------------------------------------------------------------|-------|-------------------|----------------|
| <b>Assets<sup>1-5</sup></b>                                                              |       |                   |                |
| AASB101(54)(i) Cash and cash equivalents                                                 | 13    | <b>2,896,723</b>  | 2,759,958      |
| AASB101(54)(h) Other receivables                                                         |       | <b>513,703</b>    | 323,380        |
| AASB101(55) Due from brokers – receivables for securities sold                           |       | <b>1,405,750</b>  | 936,390        |
| AASB101(54)(d) Financial investments <sup>6-7</sup>                                      | 4     | <b>14,995,175</b> | 15,219,910     |
| AASB101(54)(o) Deferred tax assets                                                       | 11    | <b>26,698</b>     | 18,693         |
| <b>Total assets</b>                                                                      |       | <b>19,838,049</b> | 19,258,331     |
| <b>Liabilities<sup>1-5</sup></b>                                                         |       |                   |                |
| AASB101(55) Due to brokers – payables for securities purchased                           |       | <b>1,979,239</b>  | 1,706,551      |
| AASB101(55) Benefits payable                                                             |       | <b>588,251</b>    | 570,383        |
| AASB101(54)(k),(55) Other payables                                                       |       | <b>71,870</b>     | 54,274         |
| AASB101(54)(m) Derivative liabilities <sup>6-7</sup>                                     | 4     | <b>2,488,978</b>  | 1,828,240      |
| AASB101(54)(n) Income tax payable                                                        |       | <b>16,333</b>     | 38,950         |
| <b>Total liabilities excluding member benefits</b>                                       |       | <b>5,144,671</b>  | 4,198,398      |
| <b>Net assets available for member benefits</b>                                          |       | <b>14,693,378</b> | 15,059,933     |
| AASB1056(14),(32), (AG10) Defined contribution ('DC') member liabilities <sup>8-12</sup> |       | <b>13,466,064</b> | 13,123,035     |
| AASB1056(14),(32), (AG10) Defined benefit ('DB') member liabilities <sup>8-12</sup>      | 8     | <b>1,338,687</b>  | 1,785,770      |
| <b>Total net assets (liabilities)</b>                                                    |       | <b>(111,373)</b>  | 151,128        |
| <b>Equity<sup>14-15</sup></b>                                                            |       |                   |                |
| AASB101(54)(r) Reserves                                                                  |       | <b>112,506</b>    | 78,213         |
| AASB1056(28) Defined benefits that are over or (under) funded                            | 8     | <b>(239,179)</b>  | 61,215         |
| AASB1056(AG8) Unallocated surplus (deficit)                                              |       | <b>15,300</b>     | 11,700         |
| <b>Total equity (deficit)</b>                                                            |       | <b>(111,373)</b>  | 151,128        |

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

## Statement of financial position

### Information to be disclosed in the statement of financial position

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

1. Disclosure requirements for the statement of financial position are primarily included in AASB 101 *Presentation of Financial Statements*. We have provided commentary explaining these requirements in our VALUE ACCOUNTS Investment Funds publication on pages 30 to 32. Set out below is additional guidance on requirements that are specific to AASB 1056 and superannuation entities.

AASB101(60)

### Current/non-current vs liquidity presentation

2. An entity presents current and non-current assets and current and non-current liabilities as separate classifications in its statement of financial position except when a presentation based on liquidity provides information that is reliable and is more relevant. When that exception applies, all assets and liabilities are presented broadly in order of liquidity.
3. A superannuation fund typically groups assets and liabilities by nature and presents them in decreasing order of liquidity, which may equate broadly to their maturities. This presentation is more relevant than distinguishing between current and non-current items as most assets and liabilities can be realised or settled in the near future.

AASB101(61)

4. Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled: (a) no more than twelve months after the reporting period, and (b) more than twelve months after the reporting period.
5. VALUE ACCOUNTS Superannuation Fund expects that all asset and liability amounts will be recovered or settled no more than twelve months after the reporting period, except for financial investments, derivatives and net assets available to member benefits.

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

### Assets and liabilities measured at fair value

AASB1056(13)

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

AASB1056(AG24)

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

### Member liabilities

AASB1056(14)

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

AASB1056(15)

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

AASB1056(17)

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

### Disaggregated financial information

AASB1056(32)

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

AASB1056(AG34)(a)

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

## Statement of financial position

### Insurance arrangements

AASB1056(33)

13. A superannuation entity which is exposed to material insurance risk shall:

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

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

### Equity

AASB1056(AG8)  
AASB101(55)

14. Where a superannuation entity's total assets 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. VALUE ACCOUNTS Superannuation Fund has chosen to present a breakdown of its reserve balances in the statement of changes in equity.

AASB1056(AG9)

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

AASB 1056(8)(b)

**Income statement 1-10**

|                                                                             | Notes                                                  | 2021<br>\$'000     | 2020<br>\$'000 |
|-----------------------------------------------------------------------------|--------------------------------------------------------|--------------------|----------------|
| <b>Superannuation activities 3-7</b>                                        |                                                        |                    |                |
| AASB1056(AG13),<br>(AG29)(a)                                                | Interest income                                        | <b>186,045</b>     | 379,652        |
| AASB1056(AG13),<br>(AG29)(a)                                                | Dividend income                                        | <b>379,803</b>     | 470,476        |
| AASB1056(AG13),<br>(AG29)(a)                                                | Distribution income                                    | <b>125,860</b>     | 155,688        |
| AASB1056(AG13),<br>(AG29)(b)                                                | Net changes in fair value of financial instruments     | 6 <b>(489,030)</b> | (741,628)      |
| AASB1056(AG13)                                                              | Other income                                           | <b>1,015</b>       | 1,257          |
| AASB1056(9)(a)                                                              | <b>Total net income</b>                                | <b>203,693</b>     | 265,445        |
| AASB1056(AG13),<br>(AG29)(e)                                                | Investment expenses                                    | <b>(80,193)</b>    | (119,948)      |
| AASB1056(AG13),<br>(AG29)(d)                                                | Administration expenses                                | <b>(14,917)</b>    | (13,768)       |
| AASB1056(AG13)                                                              | Other expenses                                         | 12 <b>(5,230)</b>  | (5,792)        |
| AASB1056(9)(b)                                                              | <b>Total expenses 10</b>                               | <b>(100,340)</b>   | (139,508)      |
| <b>Results from superannuation activities before income tax expense 3-7</b> |                                                        | <b>103,353</b>     | 125,937        |
| AASB1056(9)(f)                                                              | Income tax expense 9                                   | 11 <b>(13,990)</b> | (54,493)       |
| <b>Results from superannuation activities after income tax expense</b>      |                                                        | <b>89,363</b>      | 71,444         |
| AASB1056(9)(c)                                                              | Net benefits allocated to defined contribution members | <b>(120,435)</b>   | (100,296)      |
| AASB1056(9)(d),<br>(AG16)                                                   | Net change in defined benefit member benefits 4        | <b>(195,329)</b>   | (89,319)       |
| AASB1056(9)(e)                                                              | <b>Operating result after income tax</b>               | <b>(226,401)</b>   | (118,171)      |

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

## Income statement

### Requirements for the presentation of an income statement

1. Disclosure requirements for the income statement are primarily included in AASB 101 *Presentation of Financial Statements*. We have provided commentary explaining these requirements in our VALUE ACCOUNTS Investment Funds 2021 publication on pages 23 to 28. Set out below is additional guidance on requirements that are specific to superannuation entities under AASB 1056.
2. The style and format of the illustrative financial statements and note disclosures is not mandatory. Alternative formats and presentations are acceptable as long as they comply with the requirements of AASB 1056 and other applicable standards, including AASB 101 *Presentation of Financial Statements* and AASB 107 *Statement of Cash Flows*.

### In the income statement

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.

4. The net change in defined benefit member liabilities for a period is the difference between the opening and closing balances of the defined benefit member liabilities for the period, after adjusting for:
  - (a) contributions
  - (b) tax on contributions
  - (c) benefits to members, and
  - (d) transfers between reserves and accrued benefits.

5. Income and expense items are not offset unless the criteria in AASB 101 (32) are met. Refer to VALUE ACCOUNTS Investment Funds 2021 publication page 26 to 27 for further information.

### Either in the income statement or in the notes

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

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

### Income tax expense (benefit)

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. Where a preparer has determined that the withholding tax is within the scope of AASB 112 *Income taxes*, it should be present such withholding taxes within the tax expense line. Refer to VALUE ACCOUNTS Investment Funds 2021 publication page 27 to 28 for further information.

### Transaction costs

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



AASB1056(8)(e)

**Statement of changes in member benefits 1-11**

|                 | Notes                                                                              | DC<br>member<br>benefits<br>\$'000 | DB<br>member<br>benefits<br>\$'000 | Total<br>\$'000   |
|-----------------|------------------------------------------------------------------------------------|------------------------------------|------------------------------------|-------------------|
|                 | <b>Balance at 1 July 2019</b>                                                      | <b>12,780,068</b>                  | <b>2,855,208</b>                   | <b>15,635,276</b> |
| AASB1056(11)(a) | Employer contributions 1-2                                                         | 288,145                            | 392,749                            | 680,894           |
| AASB1056(11)(b) | Member contributions 1                                                             | 63,604                             | 74,320                             | 137,924           |
| AASB1056(11)(d) | Transfers from other superannuation funds 1                                        | 128,902                            | -                                  | 128,902           |
| AASB1056(11)(c) | Income tax on contributions 1,3                                                    | (43,222)                           | (58,912)                           | (102,134)         |
|                 | <b>Net after tax contributions</b>                                                 | <b>437,429</b>                     | <b>408,157</b>                     | <b>845,586</b>    |
| 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<br>paid to members or beneficiaries 10 | 121,027                            | 282,397                            | 403,424           |
|                 | Transfers of members from DB to DC<br>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            |
|                 | <b>Balance at 30 June 2020</b>                                                     | <b>13,123,035</b>                  | <b>1,785,770</b>                   | <b>14,908,805</b> |

*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<sup>1-11</sup>**

|                     | Notes                                                                                         | DC<br>member<br>benefits<br>\$'000 | DB<br>member<br>benefits<br>\$'000 | Total<br>\$'000   |
|---------------------|-----------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|-------------------|
|                     | <b>Balance at 1 July 2020<sup>8-9</sup></b>                                                   | <b>13,123,035</b>                  | <b>1,785,770</b>                   | <b>14,908,805</b> |
| AASB1056(11)(a)     | Employer contributions <sup>1-2</sup>                                                         | 488,760                            | 477,759                            | 966,519           |
| AASB1056(11)(b)     | Member contributions <sup>1</sup>                                                             | 58,975                             | 85,628                             | 144,603           |
| AASB1056(11)(d)     | Transfers from other superannuation funds <sup>1</sup>                                        | 113,300                            | -                                  | 113,300           |
| AASB1056(11)(c)     | Income tax on contributions <sup>3</sup>                                                      | (73,314)                           | (71,304)                           | (144,618)         |
|                     | <b>Net after tax contributions</b>                                                            | <b>587,721</b>                     | <b>492,083</b>                     | <b>1,079,804</b>  |
| AASB1056(11)(e)     | Benefits to members or beneficiaries <sup>1</sup>                                             | (1,331,291)                        | (564,160)                          | (1,895,451)       |
| AASB1056(11)(f)     | Insurance premiums charged to members <sup>1,10</sup>                                         | (15,578)                           | (34,918)                           | (50,496)          |
|                     | Death and disability insurance entitlements<br>paid to members or beneficiaries <sup>10</sup> | 150,741                            | 259,484                            | 410,225           |
|                     | Transfers of members from DB to DC<br>divisions <sup>4</sup>                                  | 802,585                            | (802,585)                          | -                 |
| AASB1056(11)(i)     | Reserve transfers to (from) members <sup>1</sup>                                              | 28,416                             | 7,684                              | 36,100            |
| AASB1056(11)(g)     | Net benefits allocated comprising: <sup>1,5-6</sup>                                           |                                    |                                    |                   |
|                     | Net investment income                                                                         | 125,353                            | -                                  |                   |
|                     | Net administration fees                                                                       | (4,918)                            | -                                  |                   |
|                     |                                                                                               | 120,435                            |                                    | 120,435           |
| AASB1056(11)(g)-(h) | Net change in member defined benefits <sup>1,7</sup>                                          | -                                  | 195,329                            | 195,329           |
|                     | <b>Balance at 30 June 2021</b>                                                                | <b>13,466,064</b>                  | <b>1,338,687</b>                   | <b>14,804,751</b> |

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

## Statement of changes in member benefits

### Information to be disclosed

- AASB1056(11) 1. A statement of changes in member benefits presents opening and closing balances for member liabilities and, when applicable, include the following line items for the period:
- (a) employer contributions
  - (b) member contributions
  - (c) taxes on contributions
  - (d) benefits transferred into the entity from other superannuation entities
  - (e) benefits to members or their beneficiaries
  - (f) insurance premiums charged to defined contribution member accounts
  - (g) net benefits allocated to defined contribution member accounts
  - (h) net changes to defined benefit member accrued benefits, and
  - (i) amounts allocated to members from reserves.
- AASB1056(AG18)(a) 2. Employer contributions include both routine contributions and 'top-up' contributions made to fund defined benefit member liabilities.
- AASB1056(12) 3. Current tax and deferred tax 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. **VALUE ACCOUNTS**  
Superannuation Fund has presented a single statement of changes in member benefits with columns to show the disaggregated financial information for defined contribution members and defined benefit members.

### Insurance arrangements

#### *Superannuation entities not exposed to material insurance risk*

- AASB1056(AG43)(b) 10. If the superannuation entity is not exposed to material insurance risk, insurance premiums are not revenues or expenses of the superannuation entity and do not give rise to insurance contract liabilities or reinsurance assets. However, premiums charged to member accounts and insurance benefits paid to members via the superannuation entity will affect the statement of changes in member benefits and should be presented separately, if material. Appendix A illustrates the additional presentation and disclosure requirements for entities exposed to material insurance risk.

### Annual reports

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

AASB1056(8)(c)

**Statement of changes in equity<sup>1-3</sup>**

AASB1056(AG22)

|                                        | Operational<br>risk reserve<br>\$'000 | Investment<br>reserves<br>\$'000 | Insurance<br>reserve<br>\$'000 | Total<br>reserves<br>\$'000 | DB over or<br>(under)<br>funded<br>\$'000 | Unallocated<br>surplus<br>(deficit)<br>\$'000 | Total equity<br>\$'000 |
|----------------------------------------|---------------------------------------|----------------------------------|--------------------------------|-----------------------------|-------------------------------------------|-----------------------------------------------|------------------------|
| <b>Balance at<br/>1 July 2019</b>      | 13,775                                | 46,118                           | 8,968                          | 68,861                      | 238,065                                   | 10,550                                        | 317,476                |
| Transfers to<br>DC member<br>accounts  | (14,678)                              | (17,300)                         | (8,573)                        | (40,551)                    | -                                         | -                                             | (40,551)               |
| Transfers to<br>DB member<br>accounts  | (338)                                 | (3,058)                          | (4,230)                        | (7,626)                     | -                                         | -                                             | (7,626)                |
| Operating<br>result                    | 38,741                                | (882)                            | 19,670                         | 57,529                      | (176,850)                                 | 1,150                                         | (118,171)              |
| <b>Balance at<br/>30 June<br/>2020</b> | <b>37,500</b>                         | <b>24,878</b>                    | <b>15,835</b>                  | <b>78,213</b>               | <b>61,215</b>                             | <b>11,700</b>                                 | <b>151,128</b>         |
| Transfers to<br>DC member<br>accounts  | (14,673)                              | (2,950)                          | (10,793)                       | (28,416)                    | -                                         | -                                             | (28,416)               |
| Transfers to<br>DB member<br>accounts  | (1,643)                               | (1,468)                          | (4,573)                        | (7,684)                     | -                                         | -                                             | (7,684)                |
| Operating<br>result                    | 15,070                                | 25,860                           | 29,463                         | 70,393                      | (300,394)                                 | 3,600                                         | (226,401)              |
| <b>Balance at<br/>30 June<br/>2021</b> | <b>36,254</b>                         | <b>46,320</b>                    | <b>29,932</b>                  | <b>112,506</b>              | <b>(239,179)</b>                          | <b>15,300</b>                                 | <b>(111,373)</b>       |

AASB101(113)

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

**Statement of changes in equity****Requirements for the presentation of a statement of changes in equity**

AASB1056(AG21)

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

AASB1056(AG8)

2. However, where a superannuation entity's total assets 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 Australian Accounting Standards.

AASB1056(AG9)

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

AASB1056(8)(d)

**Statement of cash flows 1-4**

|                                                                                | Notes | 2021<br>\$'000   | 2020<br>\$'000   |
|--------------------------------------------------------------------------------|-------|------------------|------------------|
| AASB107(10),(14),<br>(18)(a)                                                   |       |                  |                  |
| <b>Cash flows from operating activities <sup>1</sup></b>                       |       |                  |                  |
| 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)         |
| <b>Net cash inflow/(outflow) from operating activities</b>                     | 14    | <b>706,994</b>   | <b>1,124,089</b> |
| AASB107(10),(16)                                                               |       |                  |                  |
| <b>Cash flows from investing activities <sup>4-5</sup></b>                     |       |                  |                  |
| Sales of financial investments                                                 |       | 2,068,524        | 2,372,311        |
| Purchases of financial investments                                             |       | (1,868,753)      | (2,288,745)      |
| <b>Net cash inflow/(outflow) from investing activities</b>                     |       | <b>199,771</b>   | <b>83,566</b>    |
| AASB107(10),(17)                                                               |       |                  |                  |
| <b>Cash flows from financing activities <sup>1</sup></b>                       |       |                  |                  |
| 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 <sup>3</sup>                                         |       | (100,465)        | (121,258)        |
| <b>Net cash inflow/(outflow) from financing activities</b>                     |       | <b>(735,465)</b> | <b>(893,640)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                    |       | <b>171,300</b>   | <b>314,015</b>   |
| 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          |
| <b>Cash and cash equivalents at end of year</b>                                | 13    | <b>2,896,723</b> | <b>2,759,958</b> |
| AASB107(43)                                                                    |       |                  |                  |
| Non-cash financing and investing activities                                    |       | -                | -                |

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

## Statement of cash flows

### Requirements for the presentation of a statement of cash flows

AASB107(1)

1. Requirements for the presentation of a statement of cash flows are set out in AASB 107 *Statement of Cash Flows*. Refer to VALUE ACCOUNTS Investment Funds 2021 publication pages 37 to 38 for further information.
2. Appendix A illustrates the additional presentation and disclosure required for entities exposed to material insurance risk.

AASB107(6)

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

AASB107(15)

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

# Notes to the financial statements

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## Contents of the notes to the financial statement

### Streamlining financial reports

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

### Notes to the financial statements

#### 1 General information <sup>1-2</sup>

AASB101(138)

AASB101(138)(b)

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

AASB101(138)(b)

AASB1056(21)

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

AASB101(138)(a)

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

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

AASB101(51)(b)

AASB110(17)

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



## General information

### General information disclosures

AASB101(138)

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

### Date of authorisation for issue

AASB110(17),(18)

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

AASB101(10)(e)

## 2 Summary of significant accounting policies

AASB101(112)(a)

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

AASB101(117),(119)

### (a) Basis of preparation

AASB1054(7)

AASB101(51)(d)

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

AASB101(60),(61)

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

AASB101(117)(a)

AASB1056(13)

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

### *New and amended standards adopted by the Fund*

AASB108(28)

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB101(119)        | <b>(b) Financial instruments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| AASB7(21)           | <b>(i) Classification</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| AASB1056(13)        | The Fund's investments and derivative liabilities are classified as fair value through profit or loss in accordance with AASB 1056.                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                     | <b>(ii) Recognition/derecognition</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| AASB7(21)           | 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(5.1.1)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 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.                                                                                                                                                                                                                                                                                                                                                                  |
|                     | <b>(iii) Measurement</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| AASB7(21)           | At initial recognition, the Fund measures financial assets and financial liabilities at fair value.                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| AASB9(5.1.1)        | 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                     | <b>(iv) Offsetting financial instruments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 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)        | <b>(c) Cash and cash equivalents</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| AASB107(6),(8),(46) | For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.                                                                                                                                |
| AASB101(119)        | <b>(d) Revenue recognition</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| AASB7(21)           | 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.                                                                                                                                                                                                                                                                                                                                                                 |
| AASB7(B5)(e)        | 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.                                                                                                                                                                                                                                                                                                                                                 |
| AASB(5.7.1A)        | 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)        | <b>(e) Foreign currency transactions and balances</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 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)        | <b>(f) Income tax</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| AASB112(46)         | Under the Income Tax Assessment Act, the Fund is a complying superannuation fund. As such, a concessional tax rate of 15% is applied on net investment earnings with deductions allowable for administrative and operational expenses. Financial investments held for less than 12 months are taxed at the Fund's rate of 15%. For financial investments held for more than 12 months, the Fund is entitled to a further discount on the tax rate leading to an effective tax rate of 10% on any gains/(losses) arising from the disposal of investments. |

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB112(12),(46)          | Current tax is the expected tax payable on the estimated taxable income for the current year based on the applicable tax rate adjusted for instalment payments made to the ATO during the year and by changes in deferred tax assets and liabilities attributable to temporary differences.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| AASB112(24),(34)          | Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the amounts used for taxation purposes. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise temporary differences and losses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| AASB112(71),(74)          | Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| AASB101(119)              | <b>(g) Due from/to brokers</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| AASB7(21)<br>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)              | <b>(h) Receivables</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| AASB7(21)<br>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)              | <b>(i) Payables</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 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)              | <b>(j) Benefits paid/payable</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 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)              | <b>(k) Contributions received and transfers from other superannuation funds</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| AASB1056(11)              | Contributions received and transfers from other funds are recognised in the statement of changes in member benefits when the control of the contribution or transfer has transferred to the Fund. They are recognised gross of any taxes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| AASB101(119)              | <b>(l) Use of estimates</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| AASB101(122)              | <p>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.</p> <p>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.</p> <p>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).</p> |
| AASB108(30)               | <b>(m) New accounting standards and interpretations</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                           | Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                           | <b>(n) Rounding of amounts</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| AASB101(51)(e)            | Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

# Financial instruments

|               |                                                                                                                                                                                                                                                                        |    |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Not mandatory | This section provides information regarding the Fund's financial instruments including details of various risks arising from these financial instruments, how they could affect the Funds' financial position and performance and how the Trustee manages these risks. |    |
| 3.            | Financial risk management                                                                                                                                                                                                                                              | 32 |
| 4.            | Fair value measurement                                                                                                                                                                                                                                                 | 39 |
| 5.            | Offsetting financial assets and financial liabilities                                                                                                                                                                                                                  | 45 |
| 6.            | Net changes in fair value of financial instruments                                                                                                                                                                                                                     | 46 |
| 7.            | Structured entities                                                                                                                                                                                                                                                    | 47 |

### 3 Financial risk management<sup>1</sup>

AASB7(31)(32)

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

AASB7(33)

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

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

#### (a) Market risk

##### (i) Price risk

AASB7(33)(a)(b)

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

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

AASB7(34)

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

|                                                                  | Note | 2021<br>\$'000 | 2020<br>\$'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 2021   |                | 30 June 2020   |                |
|-------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                                           | US Dollars     | Euro           | US Dollars     | Euro           |
|                                                                                           | A\$'000        | A\$'000        | A\$'000        | A\$'000        |
| Cash and cash equivalents                                                                 | 537,895        | 264,894        | 463,779        | 235,478        |
| Due from brokers –<br>receivables for securities<br>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<br>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<br>forward foreign exchange<br>contracts (notional<br>principal) | (3,358,958)    | (2,534,881)    | (2,157,801)    | (1,459,261)    |
| Net exposure to foreign<br>exchange risk                                                  | <u>328,094</u> | <u>392,764</u> | <u>390,290</u> | <u>367,476</u> |

*(iii) Cash flow and fair value interest rate risk*

AASB7(33)(a)(b)

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

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

|                                                                                  | 30 June 2021                            |                                      |                                        |                   |
|----------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------|----------------------------------------|-------------------|
|                                                                                  | Floating<br>interest<br>rate<br>A\$'000 | Fixed<br>interest<br>rate<br>A\$'000 | Non-<br>interest<br>bearing<br>A\$'000 | Total<br>A\$'000  |
| <b>Financial assets</b>                                                          |                                         |                                      |                                        |                   |
| Cash and cash equivalents                                                        | 2,896,723                               | -                                    | -                                      | 2,896,723         |
| Due from brokers –<br>receivables for securities<br>sold                         | -                                       | -                                    | 1,405,750                              | 1,405,750         |
| Financial investments                                                            | -                                       | 3,587,639                            | 11,407,536                             | 14,995,175        |
| <b>Financial liabilities</b>                                                     |                                         |                                      |                                        |                   |
| Due to brokers – payables<br>for securities purchased                            | -                                       | -                                    | (1,979,239)                            | (1,979,239)       |
| Financial liabilities                                                            | -                                       | -                                    | (2,488,978)                            | (2,488,978)       |
| Increase/(decrease) from<br>interest rate swap contracts<br>(notional principal) | (528,983)                               | 528,983                              | -                                      | -                 |
| Net exposure interest rate<br>risk                                               | <u>2,367,740</u>                        | <u>4,116,622</u>                     | <u>8,345,069</u>                       | <u>14,829,431</u> |
|                                                                                  | 30 June 2020                            |                                      |                                        |                   |
|                                                                                  | Floating<br>interest rate<br>A\$'000    | Fixed<br>interest rate<br>A\$'000    | Non-interest<br>bearing<br>A\$'000     | Total<br>A\$'000  |
| <b>Financial assets</b>                                                          |                                         |                                      |                                        |                   |
| Cash and cash equivalents                                                        | 2,759,958                               | -                                    | -                                      | 2,759,958         |
| Due from brokers –<br>receivables for securities<br>sold                         | -                                       | -                                    | 936,390                                | 936,390           |
| Financial investments                                                            | -                                       | 2,817,365                            | 12,402,545                             | 15,219,910        |
| <b>Financial liabilities</b>                                                     |                                         |                                      |                                        |                   |
| Due to brokers – payables<br>for securities purchased                            | -                                       | -                                    | (1,706,551)                            | (1,706,551)       |
| Financial liabilities                                                            | -                                       | -                                    | (1,828,240)                            | (1,828,240)       |
| Increase (decrease) from<br>interest rate swap contracts<br>(notional principal) | (498,321)                               | 498,321                              | -                                      | -                 |
| Net exposure interest rate<br>risk                                               | <u>2,261,637</u>                        | <u>3,315,686</u>                     | <u>9,804,144</u>                       | <u>15,381,467</u> |

AASB7(40)

**(b) Summarised sensitivity analysis**

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

|              | Price risk                                                          |                    | Foreign exchange risk |             |             |             | Interest rate risk |             |
|--------------|---------------------------------------------------------------------|--------------------|-----------------------|-------------|-------------|-------------|--------------------|-------------|
|              | Impact on operating profit/net assets available for member benefits |                    |                       |             |             |             |                    |             |
|              | -20%<br>MSCI<br>Index                                               | +10% MSCI<br>Index | -15%<br>USD           | +15%<br>USD | -15%<br>EUR | +15%<br>EUR | -100<br>bps        | +100<br>bps |
|              | \$'000                                                              | \$'000             | \$'000                | \$'000      | \$'000      | \$'000      | \$'000             | \$'000      |
| 30 June 2021 | (2,051,612)                                                         | 1,025,807          | (49,212)              | 49,212      | (58,916)    | 58,916      | 107,088            | (107,088)   |

  

|              | Price risk                                                          |                     | Foreign exchange risk |             |             |             | Interest rate risk |            |
|--------------|---------------------------------------------------------------------|---------------------|-----------------------|-------------|-------------|-------------|--------------------|------------|
|              | Impact on operating profit/net assets available for member benefits |                     |                       |             |             |             |                    |            |
|              | -15%<br>MSCI<br>Index                                               | +7.5% MSCI<br>Index | -10%<br>USD           | +10%<br>USD | -10%<br>EUR | +10%<br>EUR | -75<br>bps         | +75<br>bps |
|              | \$'000                                                              | \$'000              | \$'000                | \$'000      | \$'000      | \$'000      | \$'000             | \$'000     |
| 30 June 2020 | (1,418,195)                                                         | 709,097             | (39,029)              | 39,029      | (36,748)    | 36,748      | 98,548             | (98,448)   |

**(c) Credit risk**

AASB7(33)(a)(b)

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

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

AASB7(35B)(a)

The Fund measures credit risk using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information. At 30 June 2021 and 30 June 2020, all receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA or higher and are either callable on demand or due to be settled within one week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term.

**(i) Fixed interest securities**

AASB7(35B)(c)

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



| Rating               | 30 June 2021<br>\$'000 | 30 June 2020<br>\$'000 |
|----------------------|------------------------|------------------------|
| <b>Australian</b>    |                        |                        |
| AAA                  | 697,524                | 1,237,801              |
| AA                   | 124,568                | 221,053                |
| A                    | 30,773                 | 54,609                 |
| BBB                  | 20,336                 | 36,088                 |
|                      | <b>873,201</b>         | <b>1,549,551</b>       |
| <b>International</b> |                        |                        |
| AAA                  | 456,897                | 810,792                |
| AA                   | 257,541                | 457,022                |
|                      | <b>714,438</b>         | <b>1,267,814</b>       |
| Total                | <b>1,587,639</b>       | <b>2,817,365</b>       |

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 XYZ 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 2021 (30 June 2020: AA).

AASB7(36)

**(vi) Maximum exposure to credit risk**

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.

AASB7(33)(a)

**(d) Liquidity risk**

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 2021**

|                                       | At 30 June 2021                                   |                        |                            |                       |                 |            |
|---------------------------------------|---------------------------------------------------|------------------------|----------------------------|-----------------------|-----------------|------------|
|                                       | Less than<br>1 months<br>\$'000                   | 1 – 6 months<br>\$'000 | 6 – 12<br>months<br>\$'000 | 1 – 2 years<br>\$'000 | Total<br>\$'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)<br>AASB7(B11B),(B11D) | Derivatives                                       |                        |                            |                       |                 |            |
|                                       | Net settled interest rate swaps                   | 1,460,862              | 735,101                    | 151,613               | 141,402         | 2,488,978  |

**At 30 June 2020**

|                 | At 30 June 2020                                   |                        |                         |                       |                 |           |
|-----------------|---------------------------------------------------|------------------------|-------------------------|-----------------------|-----------------|-----------|
|                 | Less than<br>1 months<br>\$'000                   | 1 – 6 months<br>\$'000 | 6 – 12 months<br>\$'000 | 1 – 2 years<br>\$'000 | Total<br>\$'000 |           |
| AASB7(39)(a)    | <b>Non-derivatives</b>                            |                        |                         |                       |                 |           |
|                 | 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)    | <b>Derivatives</b>                                |                        |                         |                       |                 |           |
|                 | Net settled interest rate swaps                   | 1,051,291              | 439,990                 | 111,364               | 225,595         | 1,828,240 |

**Financial risk management**

AASB7

1. Disclosure requirements relating to financial instrument disclosures are set out in AASB 7. We have provided commentary explaining these requirements in our VALUE ACCOUNTS Investment Funds 2021 publication on pages 63 to 68.

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

## 4 Fair value measurement<sup>1-5</sup>

### (a) Fair value hierarchy

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

AASB13(72-90)

The fair value hierarchy has the following levels:

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

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

AASB13(76)-(80)

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

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

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

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

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

AASB13(81)-(90)

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

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

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

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

*Recognised fair value measurements*

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

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

**At 30 June 2021**

|                                                          | Note | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000   |
|----------------------------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| <b>Financial assets</b>                                  |      |                   |                   |                   |                   |
| Cash and cash equivalents                                |      | 2,896,723         | -                 | -                 | 2,896,723         |
| Other receivables                                        |      | 513,703           | -                 | -                 | 513,703           |
| Due from brokers –<br>receivables for securities<br>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         |
| <b>At 30 June 2021</b>                                   |      | <b>14,627,150</b> | <b>3,817,079</b>  | <b>1,367,122</b>  | <b>19,811,351</b> |
| <b>Financial liabilities</b>                             |      |                   |                   |                   |                   |
| Due to brokers – payable for<br>securities purchased     |      | 1,979,239         | -                 | -                 | 1,979,239         |
| Benefits payable                                         |      | 588,251           | -                 | -                 | 588,251           |
| Other payables                                           |      | 71,870            | -                 | -                 | 71,870            |
| Derivatives:                                             |      |                   |                   |                   |                   |
| Interest rate swaps                                      |      | 1,742,284         | 746,694           | -                 | 2,488,978         |
| <b>At 30 June 2021</b>                                   |      | <b>4,381,644</b>  | <b>746,694</b>    | <b>-</b>          | <b>5,128,338</b>  |

| At 30 June 2020                                          | Note | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000   |
|----------------------------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| <b>Financial assets</b>                                  |      |                   |                   |                   |                   |
| Cash and cash equivalents                                |      | 2,759,958         | -                 | -                 | 2,759,958         |
| Other receivables                                        |      | 323,380           | -                 | -                 | 323,380           |
| Due from brokers –<br>receivables for securities<br>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         |
| <b>At 30 June 2020</b>                                   |      | <b>12,689,222</b> | <b>5,198,424</b>  | <b>1,351,992</b>  | <b>19,239,638</b> |
| <b>Financial liabilities</b>                             |      |                   |                   |                   |                   |
| Due to brokers – payable for<br>securities purchased     |      | 1,706,551         | -                 | -                 | 1,706,551         |
| Benefits payable                                         |      | 570,383           | -                 | -                 | 570,383           |
| Other payables                                           |      | 54,274            | -                 | -                 | 54,274            |
| Derivatives:                                             |      |                   |                   |                   |                   |
| Interest rate swaps                                      |      | 1,462,592         | 365,648           | -                 | 1,828,240         |
| <b>At 30 June 2020</b>                                   |      | <b>3,793,800</b>  | <b>365,648</b>    | <b>-</b>          | <b>4,159,448</b>  |

*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 2021.

| At 30 June 2021                          | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'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<br>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 2021 but which were only thinly traded on and around 30 June 2020.

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 2020, 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 2020.

Management of the suspended fund lifted their suspension in January 2021 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 2020, 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 2020

|                                       | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |
|---------------------------------------|-------------------|-------------------|-------------------|
| Transfers between levels 1 and 2:     |                   |                   |                   |
| Debt securities                       | (1,012)           | 1,102             | -                 |
| Transfers between levels 2 and 3:     |                   |                   |                   |
| Debt securities                       | -                 | -                 | -                 |
| Unlisted Australian equity unit trust | -                 | (426)             | 426               |

#### Movement in level 3 investments

AASB13(93)(e)

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

| At 30 June 2021                                                                                                                            | Fixed interest<br>securities<br>\$000 | Units in unit<br>trusts<br>\$000 | Total<br>\$000 |
|--------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------------|----------------|
| Opening balance                                                                                                                            | -                                     | 1,351,992                        | 1,351,992      |
| Purchases                                                                                                                                  | -                                     | 547                              | 547            |
| Sales                                                                                                                                      | -                                     | (398)                            | (398)          |
| Change in fair value*                                                                                                                      | -                                     | 14,786                           | 14,309         |
| Transfers into/(out) from level 3                                                                                                          | 672                                   | (477)                            | 192            |
| Closing balance                                                                                                                            | 672                                   | 1,366,450                        | 1,367,122      |
| *includes unrealised gains or (losses)<br>recognised in profit or loss attributable to<br>balances held at the end of the reporting period | -                                     | 12,485                           | 12,485         |

| At 30 June 2020                   | Fixed interest securities<br>\$000 | Units in unit trusts<br>\$000 | Total<br>\$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

#### Valuation process

AASB13(93)(g)

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

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

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

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

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

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

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

#### Valuation inputs and relationships to fair value

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

The following table summarises the quantitative information about the significant unobservable inputs<sup>6</sup> used by the Trustee in level 3 fair value measurements.

| Description                 | Fair value at 30 June \$000 | Unobservable inputs | Relationship of unobservable inputs to fair value                                                      |
|-----------------------------|-----------------------------|---------------------|--------------------------------------------------------------------------------------------------------|
| <b>2021</b>                 |                             |                     |                                                                                                        |
| <b>Unlisted unit trusts</b> | <b>1,366,450</b>            | <b>Unit price</b>   | <b>Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by \$136,645,000.</b> |
| <b>2020</b>                 |                             |                     |                                                                                                        |
| <b>Unlisted unit trusts</b> | <b>1,351,992</b>            | <b>Unit price</b>   | <b>Higher/(lower) redemption price (+/-10%) would increase/(decrease) fair value by \$135,192,200.</b> |



## Fair value measurement

### Financial assets or liabilities

1. Superannuation entities should present the various classes of their investments in a meaningful way, consistent with the requirements of AASB 101 and AASB 7. Financial instruments should be grouped into classes that are appropriate to the nature of the information being disclosed and that take into account the characteristics of the instruments. We have explained these requirements in our VALUE ACCOUNTS Investment Funds 2021 publication on pages 77 to 82.

### Fair value measurement

2. Assets and liabilities except member liabilities, tax assets and liabilities, acquired goodwill, insurance assets and liabilities and employer-sponsor receivables are measured at fair value at each reporting date. This would include:
  - (a) financial assets and liabilities, including derivatives
  - (b) investment property, and
  - (c) infrastructure assets.
3. In determining the fair value measurements and accounting for any transaction costs, a superannuation entity applies the relevant principles and requirements in other applicable Australian Accounting Standards, including in particular AASB 13 Fair Value Measurement. Superannuation entities do not apply AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.
4. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The price shall not be adjusted for transaction costs.

### Valuation inputs and relationship to fair value

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

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

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

AASB1056(AG11)  
AASB7(6)

AASB1056(13),(AG23)

AASB1056(AG24)

AASB13(24),(25)

AASB13(93)(d)

## 5 Offsetting financial assets and financial liabilities <sup>1</sup>

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

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

AASB7(13C)

| Financial assets                     |                                        |  | Effects of offsetting on the statement of financial position |                                                                                      | Related amounts not offset                     |                |
|--------------------------------------|----------------------------------------|--|--------------------------------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------|----------------|
|                                      | Gross amounts of financial assets      |  | Gross amounts set off in the statement of financial position | Net amount of financial assets presented in the statement of financial position      | Amounts subject to master netting arrangements | Net amount     |
|                                      | \$'000                                 |  | \$'000                                                       | \$'000                                                                               | \$'000                                         | \$'000         |
| <b>2021</b>                          |                                        |  |                                                              |                                                                                      |                                                |                |
| Derivative financial instruments (i) | 2,649,015                              |  | -                                                            | 2,649,015                                                                            | (2,488,978)                                    | 160,037        |
| <b>Total</b>                         | <b>2,649,015</b>                       |  | <b>-</b>                                                     | <b>2,649,015</b>                                                                     | <b>(2,488,978)</b>                             | <b>160,037</b> |
| <b>2020</b>                          |                                        |  |                                                              |                                                                                      |                                                |                |
| Derivative financial instruments (i) | 2,449,569                              |  | -                                                            | 2,449,569                                                                            | (1,828,240)                                    | 621,329        |
| <b>Total</b>                         | <b>2,449,569</b>                       |  | <b>-</b>                                                     | <b>2,449,569</b>                                                                     | <b>(1,828,240)</b>                             | <b>621,329</b> |
| 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         |
| <b>2021</b>                          |                                        |  |                                                              |                                                                                      |                                                |                |
| Derivative financial instruments (i) | 2,488,978                              |  | -                                                            | 2,488,978                                                                            | (2,488,978)                                    | -              |
| <b>Total</b>                         | <b>2,488,978</b>                       |  | <b>-</b>                                                     | <b>2,488,978</b>                                                                     | <b>(2,488,978)</b>                             | <b>-</b>       |
| <b>2020</b>                          |                                        |  |                                                              |                                                                                      |                                                |                |
| Derivative financial instruments (i) | 1,828,240                              |  | -                                                            | 1,828,240                                                                            | (1,828,240)                                    | -              |
| <b>Total</b>                         | <b>1,828,240</b>                       |  | <b>-</b>                                                     | <b>1,828,240</b>                                                                     | <b>(1,828,240)</b>                             | <b>-</b>       |

*Master netting arrangement – not currently enforceable*

AASB7(13E),(B50)

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

**Offsetting of financial assets and financial liabilities****Offsetting of financial assets and financial liabilities**

AASB7

1. Refer to VALUE ACCOUNTS Investment Funds 2021 publication pages 70 to 71 for further information on offsetting financial assets and liabilities.

**6 Net changes in fair value of financial instruments<sup>1-2</sup>**

AASB1056(22),(AG13)

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

|                                          | 2021<br>\$'000   | 2020<br>\$'000   |
|------------------------------------------|------------------|------------------|
| <b>Fair value through profit or loss</b> |                  |                  |
| 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)         |
| <b>Total</b>                             | <b>(489,030)</b> | <b>(741,628)</b> |

**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<sup>1</sup>

| 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)                   | <p>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.</p> <p>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.</p> <p>The Fund seeks to holds redeemable shares in each of the MIS it invests in wherever possible.</p> |                          |  |                          |                          |  |      |      |  |        |        |                           |         |         |                         |           |           |                              |         |         |                            |         |         |  |                  |                  |
| AASB12(29)                   | The exposure to investments in investee MIS at fair value, by investment strategy, is disclosed below:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                          |  |                          |                          |  |      |      |  |        |        |                           |         |         |                         |           |           |                              |         |         |                            |         |         |  |                  |                  |
| AASB12(29)(a)                | <table> <tr> <th></th><th>Fair value of investment</th><th>Fair value of investment</th></tr> <tr> <th></th><th>2021</th><th>2020</th></tr> <tr> <th></th><th>\$'000</th><th>\$'000</th></tr> <tr> <td>Australian property funds</td><td>723,769</td><td>844,995</td></tr> <tr> <td>Australian equity funds</td><td>1,158,031</td><td>1,351,992</td></tr> <tr> <td>International property funds</td><td>434,262</td><td>506,997</td></tr> <tr> <td>International equity funds</td><td>579,015</td><td>675,995</td></tr> <tr> <td></td><td><b>2,895,077</b></td><td><b>3,379,979</b></td></tr> </table>                                                                                                                                                                                                                                                                               |                          |  | Fair value of investment | Fair value of investment |  | 2021 | 2020 |  | \$'000 | \$'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 |  | <b>2,895,077</b> | <b>3,379,979</b> |
|                              | Fair value of investment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Fair value of investment |  |                          |                          |  |      |      |  |        |        |                           |         |         |                         |           |           |                              |         |         |                            |         |         |  |                  |                  |
|                              | 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2020                     |  |                          |                          |  |      |      |  |        |        |                           |         |         |                         |           |           |                              |         |         |                            |         |         |  |                  |                  |
|                              | \$'000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | \$'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                  |  |                          |                          |  |      |      |  |        |        |                           |         |         |                         |           |           |                              |         |         |                            |         |         |  |                  |                  |
|                              | <b>2,895,077</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>3,379,979</b>         |  |                          |                          |  |      |      |  |        |        |                           |         |         |                         |           |           |                              |         |         |                            |         |         |  |                  |                  |
| AASB12(29)(b)                | The fair value of financial assets (30 June 2021: \$2,895,077,000, 30 June 2020: \$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 2021, total losses incurred on investments in investee MIS's were \$450,976,000 (total gain for the year ended 30 June 2020: \$796,472,000).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                          |  |                          |                          |  |      |      |  |        |        |                           |         |         |                         |           |           |                              |         |         |                            |         |         |  |                  |                  |
| AASB12(B26)(c)               | During the year the Fund earned fair value gains and distribution income as a result of its interests in other funds.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                          |  |                          |                          |  |      |      |  |        |        |                           |         |         |                         |           |           |                              |         |         |                            |         |         |  |                  |                  |

### Structured entities

AASB12

#### Structured entities disclosure

1. Disclosure requirements relating to structured entities are illustrated in AASB 12 *Disclosure of Interests in Other Entities*. We have provided commentary explaining these requirements in our VALUE ACCOUNTS Investment Funds 2021 publication on pages 92 to 93.

# 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. |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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## 8 Member liabilities<sup>1-15</sup>

### (a) Recognition and measurement of member liabilities<sup>1-7</sup>

AASB1056(14) The entitlements of members to benefit payments are recognised as liabilities. They are measured at the amount of the accrued benefits as at the reporting date, being the benefits that the Fund is presently obliged to transfer to members, or their beneficiaries, in the future as a result of the membership up to the end of the reporting period.

#### (i) Defined contribution member liabilities

AASB1056(15) Defined contribution member account balances are measured using unit prices determined by the Trustee based on the underlying investment option values selected by members.

#### (ii) Defined benefit member liabilities

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

### (b) Defined contribution member liabilities<sup>8-10</sup>

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 2021, the net assets attributable to defined contribution members have been substantially allocated. Unallocated amounts are shown in the statement of financial position as 'Unallocated surplus (deficit)' within equity.

### (c) Defined benefit member liabilities<sup>11-15</sup>

AASB1056(23) The Fund has identified two defined benefit sub plans (Plan A and Plan B).

AASB1056(25)(a)(i) The Fund engages qualified actuaries to measure the defined benefit member liabilities in each of its two defined benefit plans. Member liabilities can only be satisfied with assets of the relevant sub plan and are quarantined from the other assets of the Fund. Both plans provide lump sum benefits which are payable to members on retirement.

AASB1056(25)(d) The Fund manages its obligation to pay member liabilities on an expected maturity basis which is based on management's estimates of when such funds will be drawn down by members.

#### Significant estimates

AASB101(125) 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%<br>(2020: 5.0%)      | +0.5%/-0.5%<br>(2020: +0.5%/-0.5%) | 22,280/(22,280)<br>(2020: 27,004/(27,004))                       |
|                      | Salary adjustment rate | 4.0%<br>(2020: 4.0%)      | +1.0%/-1.0%<br>(2020: +1.0%/-1.0%) | 31,368/(31,368)<br>(2020: 34,422/(34,422))                       |
| Plan B               | Discount rate          | 5.0%<br>(2020: 5.0%)      | +0.5%/-0.5%<br>(2020: +0.5%/-0.5%) | 23,549/(23,549)<br>(2020: 29,774/(29,774))                       |
|                      | Salary adjustment rate | 3.0%<br>(2020: 3.0%)      | +1.0%/-1.0%<br>(2020: +1.0%/-1.0%) | 30,529/(30,529)<br>(2020: 35,584/(35,584))                       |

AASB1056(25)(b)

At year end, 86% of defined benefit member liabilities have vested (2020: 78%).

**(d) Defined benefit plans that are over (under) funded <sup>10-14</sup>**

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:

|        |      | 2021<br>\$'000   | 2020<br>\$'000 |
|--------|------|------------------|----------------|
| Plan A | (i)  | (297,073)        | (15,789)       |
| Plan B | (ii) | 57,894           | 77,004         |
|        |      | <u>(239,179)</u> | <u>61,215</u>  |

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 2022.

**(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 2022.

AASB1056(25)(c)

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

## Member liabilities

### Recognition

- AASB1056(14)
- AASB1056(BC102)
1. Obligations relating to member entitlements are recognised as member liabilities.
  2. Member liabilities should be recognised as liabilities of superannuation entities because:
    - (a) the obligation to fund a member's defined contribution entitlements falls on the member's superannuation entity and the obligation is legally enforceable, and
    - (b) the obligation to fund a member's defined benefit entitlements, as specified in the relevant trust deed, falls primarily on the member's plan and the obligation is contractual and/or constructive in nature.

### Measurement

- AASB1056(15)
- AASB1056  
(Appendix A)
- AASB1056  
(Appendix A)
- AASB1056(16)
- AASB1056(17)
3. Member liabilities are measured as the accrued benefits of members.
  4. The value of accrued benefits is defined as the benefits the superannuation entity is presently obliged to transfer to members or their beneficiaries in the future as a result of membership up to the end of the reporting period.
  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.
  6. Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date.
  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)
- AASB1056(24)
- AASB1056(AG31)
8. A superannuation entity shall disclose information that provides users with a basis for understanding member liabilities.
  9. In relation to defined contribution member liabilities, when applicable, an entity:
    - (a) applies the disclosure requirements of AASB 7 *Financial Instruments: Disclosures* in respect of credit risk, market risk and liquidity risk, as if defined contribution member liabilities were financial liabilities, and
    - (b) discloses the amount of any net assets attributable to defined contribution members but not allocated to those members as at the end of the period.
  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.

### Defined benefit member liabilities

- AASB1056(23)
- AASB1056(AG25)
11. A superannuation entity shall disclose information that provides users with a basis for understanding member liabilities.
  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.



## Member liabilities

AASB1056(25)

13. In relation to defined benefit member liabilities, the disclosures would include:

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

AASB1056(28)(29)

14. Where the amount of net assets attributable to defined benefit members differs from defined benefit member liabilities, the entity shall disclose information that provides users with a basis for understanding the nature, causes of and any strategies for addressing the difference between the two amounts. The disclosures would include:

- (a) whether the difference has arisen, in whole or in part, as a consequence of applying different assumptions for the purposes of determining funding levels and measuring defined benefit member liabilities and if so, the nature of the differences between the assumptions, and
- (b) in the case of a difference not wholly explained by (a):
  - (i) the entity's strategy for addressing the difference and the anticipated timeframe over which the difference is expected to be eliminated, and
  - (ii) any plans or processes in place for employer-sponsors to seek to be paid some or all of a surplus or to reduce the level of their contribution in the future.

AASB1056(30)

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

## 9 Insurance arrangements <sup>1-2</sup>

AASB1058(AG40-42)

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

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

AASB101(122)

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

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

### Insurance arrangements

AASB1056(AG43)

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

AASB1056(BC148)

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

## 10 Reserves <sup>1-2</sup>

AASB1056(32)

### (a) Operational risk financial reserve <sup>1-2</sup>

|                               | 2021<br>\$'000 | 2020<br>\$'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 <sup>1-2</sup>

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 <sup>1-2</sup>

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<sup>1-3</sup>

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

|                                                             | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------------------------------------------|----------------|----------------|
| <i>Current tax</i>                                          |                |                |
| 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          |
| <b>Total current tax expense</b>                            | <b>21,995</b>  | <b>50,589</b>  |
| <i>Deferred income tax</i>                                  |                |                |
| AASB112(80)(c) Decrease/(increase) in deferred tax assets   | (8,005)        | 3,904          |
| <b>Income tax expense</b>                                   | <b>13,990</b>  | <b>54,493</b>  |

AASB112(81)(d),(85)

### (ii) Numerical reconciliation of income tax expense to prima facie tax payable<sup>1</sup>

|                                                             | 2021<br>\$'000 | 2020<br>\$'000 |
|-------------------------------------------------------------|----------------|----------------|
| Operating result before income tax expense                  | 103,353        | 125,937        |
| Tax at the Australian rate of 15% (2020 – 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          |
| <b>Income tax expense</b>                                   | <b>13,990</b>  | <b>54,493</b>  |

In addition to the above \$144,618,000 (2020: \$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<sup>2-3</sup>

AASB112(81)(g)(i)

The balance comprises temporary differences attributable to:

|                                                                | 2021<br>\$'000 | 2020<br>\$'000 |
|----------------------------------------------------------------|----------------|----------------|
| <i>Deferred tax assets</i>                                     |                |                |
| Financial assets measured at fair value through profit or loss | 26,698         | 18,693         |
| <b>Net deferred tax assets</b>                                 | <b>26,698</b>  | <b>18,693</b>  |

The movements in temporary differences during the year are:

|                                                                                     | Beginning of year<br>\$'000 | Recognised in<br>income<br>\$'000 | End of year<br>\$'000 |
|-------------------------------------------------------------------------------------|-----------------------------|-----------------------------------|-----------------------|
| <b>At 30 June 2021</b>                                                              |                             |                                   |                       |
| <i>Deferred tax assets</i>                                                          |                             |                                   |                       |
| Net changes in financial assets<br>measured at fair value through<br>profit or loss | <u>18,693</u>               | <u>8,005</u>                      | <u>26,698</u>         |
| Net deferred tax assets                                                             | <u>18,693</u>               | <u>8,005</u>                      | <u>26,698</u>         |
| <b>At 30 June 2020</b>                                                              |                             |                                   |                       |
| <i>Deferred tax assets</i>                                                          |                             |                                   |                       |
| Net changes in financial assets<br>measured at fair value through<br>profit or loss | <u>14,789</u>               | <u>3,904</u>                      | <u>18,693</u>         |
| Net deferred tax assets                                                             | <u>14,789</u>               | <u>3,904</u>                      | <u>18,693</u>         |

## Income tax

### Relationship between tax expense and accounting profit

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

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

AASB112(81)(c),(85)

AASB112(81)(g)

## 12 Other items <sup>1-3</sup>

AASB1056(22)(AG13)

### Other operating expenses

|                           |                                 | 2021<br>\$'000 | 2020<br>\$'000 |
|---------------------------|---------------------------------|----------------|----------------|
| AASB1056(22)<br>(AG29)(i) | Trustee fees and reimbursements | 1,035          | 1,182          |
| AASB1056(22)<br>(AG29)(f) | Actuarial fees                  | 1,000          | 1,030          |
| AASB1056(22)<br>(AG29)(g) | Audit fees                      | 300            | 275            |
| AASB1056(22)<br>(AG29)(h) | Commissions paid directly       | 1,618          | 1,807          |
| AASB1056(22)<br>(AG29)(j) | Sponsorship and advertising     | 1,277          | 1,498          |
|                           |                                 | <b>5,230</b>   | <b>5,792</b>   |

### 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:
- actuarial fees
  - audit fees
  - commissions paid directly by the superannuation entity
  - trustee fees and reimbursements, and
  - 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.

|                                                                                                             |    |
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| 13. Cash and cash equivalents                                                                               | 59 |
| 14. Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities | 59 |

13 Cash and cash equivalents <sup>1</sup>

|             |                          | 2021<br>\$'000   | 2020<br>\$'000   |
|-------------|--------------------------|------------------|------------------|
| AASB107(45) | Cash at bank             | 24,005           | 69,658           |
| AASB107(45) | Money market instruments | 2,872,718        | 2,690,300        |
|             |                          | <u>2,896,723</u> | <u>2,759,958</u> |

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

| AASB107(45)    | <b>Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities</b> |                |                  |
|----------------|----------------------------------------------------------------------------------------------------------------|----------------|------------------|
|                |                                                                                                                | 2021<br>\$'000 | 2020<br>\$'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                                                            | <u>706,994</u> | <u>1,124,089</u> |
| AASB107(43)    | <b>(b) Non-cash financing and investing activities</b>                                                         |                |                  |
|                | There were no non-cash financing activities during the year.                                                   |                |                  |

**Cash flow information****Cash and cash equivalents**

- The requirements for cash and cash equivalent requirements are set out in AASB 107. Refer to VALUE ACCOUNTS Investment Funds 2021 publication pages 37 to 38, paragraphs 10 to 17 and page 101 for further information.



# Unrecognised items

Not mandatory

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

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| 15. Commitments                                  | 61 |
| 16. Contingent liabilities and contingent assets | 61 |
| 17. Events occurring after the reporting period  | 61 |

## 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:

|                           | 2021<br>\$'000 | 2020<br>\$'000 |
|---------------------------|----------------|----------------|
| Australian Property Trust | 23,450         | 45,892         |

## 16 Contingent liabilities and contingent assets

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

There are no outstanding contingent assets or liabilities as at 30 June 2021 and 30 June 2020.

## 17 Events occurring after the reporting period <sup>1</sup>

AASB110(21)

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

### Events occurring after the reporting period

AASB110

1. Refer to VALUE ACCOUNTS Investment Funds 2021 publication page 114 for further information.

# Further details

Not mandatory

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

|                                |    |
|--------------------------------|----|
| 18. Related party transactions | 63 |
| 19. Remuneration of auditors   | 64 |

## 18 Related party transactions <sup>1</sup>

### (a) Trustee

AASB124(18)  
AASB1056(AG39)

The Trustee of VALUE ACCOUNTS Superannuation Fund is Super Trustee Ltd. Amounts paid to the trustee in form of fees and reimbursements are disclosed in note 12 and total \$1,035,231 (2020: \$1,182,145. As at 30 June 2021, \$130,000 (2020: \$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 Super Trustee Ltd at any time during the financial year as follows:

- A Director
- B Director (resigned 28 October 2020)
- C Director
- D Director (appointed 20 February 2021)
- 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

|                |                              | 2021<br>\$       | 2020<br>\$       |
|----------------|------------------------------|------------------|------------------|
| 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         | -                | -                |
|                |                              | <u>1,637,930</u> | <u>1,297,822</u> |

### (e) Related Party Transactions

AASB124(18)

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

## Related party transactions

AASB124

1. Related party requirements are set out in AASB 124 *Related Party Disclosures*. Refer to the VALUE ACCOUNTS Investment Funds 2021 publication pages 109 to 112 for further information.

## 19 Remuneration of auditors <sup>1</sup>

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:

|                                                             | 2021<br>\$     | 2020<br>\$     |
|-------------------------------------------------------------|----------------|----------------|
| <b>Auditors of the Fund – PwC and related network firms</b> |                |                |
| AASB1054(10)(a) <i>Audit of financial reports</i>           | <u>125,000</u> | <u>118,000</u> |
| AASB1054(10)(b),(11) <i>Other assurance services</i>        |                |                |
| Audit of compliance and other regulatory returns            | <u>35,000</u>  | <u>27,000</u>  |
| AASB1054(10)(b),(11) <i>Other services</i>                  |                |                |
| Tax compliance services                                     | <u>45,000</u>  | 40,000         |
| Remuneration advice                                         | <u>40,000</u>  | 35,000         |
| Regulatory advice                                           | <u>55,000</u>  | <u>55,000</u>  |
| Total remuneration for other services                       | <u>140,000</u> | <u>130,000</u> |
| Total remuneration of PricewaterhouseCoopers Australia      | <u>300,000</u> | <u>275,000</u> |
| <b>Total auditors' remuneration</b>                         | <u>300,000</u> | <u>275,000</u> |

### Audit remuneration disclosure requirements

AASB1054

1. AASB 1054 *Australian Additional Disclosures* sets out the requirements for audit remuneration disclosure requirements. Refer to the VALUE ACCOUNTS Investment Funds 2021 publication pages 103 to 105 for further information.

## Trustees' declaration <sup>1-3</sup>

### 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<sup>2</sup>, and
  - (ii) present fairly the Fund's financial position as at 30 June 2021 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 2021, 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 <sup>3</sup>

Director

B Director <sup>3</sup>

Director

Sydney

XXXX 2021

## 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 <sup>1-3</sup>

### 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 <i>Prudential Standard SPS 310 Audit and Related Matters</i> 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.

|                                                                                                               |    |
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# Appendix A – Other illustrative scenarios

## Example 1 – Insurance arrangements for funds exposed to material insurance risk <sup>1-5</sup>

### Statement of financial position (extract)

| <b>Assets</b>      | <b>2021<br/>\$'000</b> | <b>2020<br/>\$'000</b> |
|--------------------|------------------------|------------------------|
| 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) | <b>Insurance activities</b>        | <b>2021</b>      | <b>2020</b>   |
|              |                                    | <b>\$'000</b>    | <b>\$'000</b> |
|              | Insurance contract revenue         | <b>874,590</b>   | 647,550       |
|              | Less: Outward reinsurance premiums | <b>(874,555)</b> | (647,525)     |
|              | Net premium revenue                | <b>35</b>        | 25            |
|              | Reinsurance recoveries revenues    | <b>396,344</b>   | 406,749       |
|              | Insurance contract claims expenses | <b>(711,205)</b> | (770,316)     |
|              | Movement in insurance liabilities  | <b>(261,500)</b> | (357,291)     |
|              | Movement in reinsurance assets     | <b>500,000</b>   | 647,358       |
|              |                                    | <b>(76,326)</b>  | (73,475)      |

AASB101(122) **(a) Critical judgments regarding the recognition of insurance assets and liabilities**

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

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

AASB1056(36)(a) The Fund uses the services of an actuary to determine its insurance contract assets and liabilities. An actuarial valuation involves making various assumptions about the future. Actual events in the future may differ from these assumptions. Due to the complexity involved in the valuation and its long term nature, insurance assets and liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

1. interest rate of 2.85% (2020: 3.15%)
2. salary inflation rates of 2.0% (2020: 2.4%)
3. mortality rates based on ALT 10-12, uplifted with mortality improvements and scaled to reflect fund's claim experience and different risk profiles such as occupational ratings and smoking, and
4. disability rates based on fund's claim experience and different risk profiles such as occupational ratings and smoking.

AASB1056(36)(b) The key factors or uncertainties that impact the key assumptions above are:

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

AASB1056(36)(c) A better than expected claims experience will result in lower liabilities and an increase in the net assets of the Fund.

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

*Impairment assessment of insurance contract assets*

AASB1056(34) There has been no event during the year that has affected the recoverability of the reinsurance assets of the Fund.

## Insurance activities

|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB1056(AG40)   | 1. Superannuation entities must recognise liabilities and assets arising from their insurance and reinsurance arrangements if they are exposed to a material insurance risk.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| AASB1056(AG41)   | Indicators that the entity is not exposed to a material insurance risk include: <ol style="list-style-type: none"> <li>members (or their beneficiaries) will only receive insurance benefits if the external insurer/reinsurer pays the claims</li> <li>insurance premiums are only paid through the superannuation entity for administrative reasons, and</li> <li>insurance premiums are effectively set directly by reference to premiums set by an external insurer.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| AASB1056(AG42)   | Further, a superannuation entity has not taken on material insurance risk simply by: <ol style="list-style-type: none"> <li>taking out (group) insurance cover in the name of the superannuation entity</li> <li>paying claim benefits to members (or their beneficiaries) via the superannuation entity, and</li> <li>making occasional ex gratia payments in respect of death and disability benefits.</li> </ol> Similarly, the following factors alone would not generally be indicative of exposure to material insurance risk: <ol style="list-style-type: none"> <li>the entity has oversight over the claims process, reviews declined claims and occasionally agrees to pay a claim out of reserves, or</li> <li>the entity is assisting the insurer by administering the claims and is charging an administration fee for these service to the members.</li> </ol> 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: <ol style="list-style-type: none"> <li>What have the members been told in relation to the insurance arrangements?</li> <li>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?</li> <li>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?</li> <li>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?</li> </ol> |
| AASB1056(33)     | 2. A superannuation entity that is exposed to a material insurance risk shall: <ol style="list-style-type: none"> <li>recognise liabilities and assets arising from its insurance and reinsurance arrangements</li> <li>measure liabilities and assets arising from insurance and reinsurance arrangements using the approach to measuring defined benefit member liabilities, and</li> <li>If reinsurance assets are impaired, reduce the carrying amount of those assets and recognise the impairment in the income statement.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| AASB1056(35)(36) | 3. A superannuation entity that is exposed to a material insurance risk in respect of defined contribution members that recognises insurance liabilities and assets shall disclose information that provides a basis for understanding the amount, timing and uncertainty of future cash flows relating to those liabilities and assets. The disclosures include quantitative or qualitative information in relation to: <ol style="list-style-type: none"> <li>key assumptions used in measuring liabilities arising from insurance arrangements the superannuation entity provides to its members</li> <li>any uncertainties surrounding those key assumptions, and</li> <li>any uncertainties surrounding reinsurance assets.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| AASB1056(AG46)   | 4. Liabilities arising from insurance arrangements a superannuation entity provides to defined contribution members shall be presented separately from the entity's liabilities for such members' benefits in the statement of financial position.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                  | 5. Insurance accounting is complex and the illustrative disclosures included above are designed to highlight the key requirements applicable to VALUE ACCOUNTS Superannuation Fund. For further guidance refer to AASB 1056, including paragraphs AG44 – AG49.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

Example 2 – Employer-sponsor receivables<sup>1-2</sup>

AASB101(54)(h)

|              |                                             | 2021<br>\$'000 | 2020<br>\$'000 |
|--------------|---------------------------------------------|----------------|----------------|
| AASB1056(18) | Employer-sponsor receivables <sup>1-2</sup> | 297,073        | 15,789         |
|              | Investment income receivables               | 512,681        | 321,830        |
|              | Prepayments                                 | 583            | 863            |
|              | Sundry debtors                              | 439            | 687            |
|              |                                             | <u>810,776</u> | <u>339,169</u> |

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 2022.

## Other receivables

## Employer-sponsor receivables

AASB1056(18),(AG27)

1. An employer-sponsor receivable shall be recognised for the difference between

- a defined benefit member liability, and
- the fair value of the assets available to meet that liability

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

AASB1056(19),(AG28)

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

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

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

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

## Liquidity risk disclosures

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

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

In addition to securities identified as level 3 by the fund's investment administrator, the BVC maintains a record of investments which are known to have characteristics of level 3 Investments. These include certain corporate debt securities and unlisted property, infrastructure and equity securities which may be 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 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 are the discount rate which is determined with reference to the discount rate of comparable debt securities and the initial traded yield of the debt security, adjusted for market movements and changes in credit risks up to balance sheet date.

#### **Property**

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

#### **Infrastructure**

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

***Unlisted Equities***

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

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

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

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

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

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

| Description <sup>2</sup>             | Fair value at 30 June 2021 \$000 | Unobservable inputs                       | Range of inputs (probability-weighted average) | Relationship of unobservable inputs to fair value <sup>3</sup> \$000                                                                   |
|--------------------------------------|----------------------------------|-------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| <b>Unlisted Property Unit Trusts</b> | 22,125                           | Unit Price                                | Diverse <sup>(a)</sup>                         | 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                                        |
| <b>Private equity partnerships</b>   | 12,556                           | Unit Price                                | Diverse <sup>(a)</sup>                         | Increased/(decreased) unit price (+/- 10% would (decrease)/increase fair values by 220                                                 |
| <b>Debt securities</b>               | 15,681                           | Discount Rate                             | 7.5% – 10% (8.5%)                              | Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by 520                             |
| <b>Property</b>                      | 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                             |
| <b>Infrastructure</b>                | 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                     |
| <b>Unlisted Equities</b>             | 14,934                           | Market Multiples                          | Diverse <sup>(b)</sup>                         | 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 <sup>2</sup>      | Fair value at 30 June 2021 \$000 | Unobservable inputs                       | Range of inputs (probability-weighted average) | Relationship of unobservable inputs to fair value <sup>3</sup> \$000                                                                     |
|-------------------------------|----------------------------------|-------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Unlisted Property Unit Trusts | 25,125                           | Unit Price                                | Diverse <sup>(a)</sup>                         | 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 <sup>(a)</sup>                         | 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 <sup>(b)</sup>                         | Increased/(decreased) market multiples (+/- 10%) would (decrease)/increase fair values by 200                                            |
|                               |                                  | Discount Rate                             | 10.1%-11.5% (10.5%)                            | Increased/(decreased) discount rate (+/-50 basis points (bps)) would (decrease)/increase fair value by 380                               |
|                               |                                  | Revenue Growth rate                       | 1%-5.0% (2.5%)                                 | Increased/(decreased) revenue growth rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 300                         |
|                               |                                  | Terminal Value Growth Rate                | 2.0%-4.0% (3%)                                 | Increased/(decreased) terminal value growth rate (+/-25 basis points (bps)) would (decrease)/increase fair value by 250                  |

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

### Fair Value Measurement

AASB13(93)(d)

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

AASB13(93)(d)

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

AASB13(93)(h)

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

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

# Appendix C – Abbreviations

Abbreviations used in this publication are set out below.

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

# Superannuation contacts

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PWC20025856