ACTIVE SUPER
(ABN 28 901 371 321)

Financial Statements for the Year Ended 30 June 2022

Issued by LGSS Pty Limited (ABN 68 078 003 497) as Trustee for Active Super

ACTIVE SUPER

Financial Statements for the year ended 30 June 2022

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Statement of Financial Position
As at 30 June 2022

	Note	2022 $'000	2021 $'000
Assets			
Cash and cash equivalents	15	105,337	167,922
Receivables and other assets	8	3,632	2,236
Investments			
Cash and Short Term Deposits		1,323,470	1,450,664
Other Interest Bearing Securities	7	2,593,252	2,778,899
Australian Equities	7	5,011,868	5,035,845
International Equities	7	2,720,838	3,004,556
Australian Unit Trusts	7	240,025	276,418
International Unit Trusts	7	1,364,675	1,329,314
Derivative Assets	7	64,047	34,258
Deferred tax assets	10	31,026	11,038
Total assets		13,458,170	14,091,150
Liabilities			
Payables	9	(3,791)	(4,327)
Derivative Liabilities	7	(197,979)	(116,422)
Income tax payable		(9,281)	(187,084)
Deferred tax liabilities	10	(74,789)	(138,857)
Total liabilities excluding member benefits		(285,840)	(446,690)
Net assets available for member benefits		13,172,330	13,644,460
Member benefits			
Defined contribution member liabilities	3	(9,676,159)	(9,774,430)
Defined benefit member liabilities	4	(3,368,270)	(3,572,260)
Unallocated to members	4	(900)	(1,741)
Total member liabilities		(13,045,329)	(13,348,431)
Total net assets		**127,001**	**296,029**
Equity			
Other reserves	6	49,492	94,255
Operational risk reserve	6	33,543	33,513
Defined benefits that are overfunded	5	43,966	168,261
Total equity		**127,001**	**296,029**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

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Income Statement
For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Superannuation activities			
Interest		72,688	64,569
Dividend revenue		367,802	190,077
Distributions from unit trusts		162,752	142,613
Changes in assets measured at fair value	11	(1,081,202)	1,650,437
Other investment income		2,650	3,159
Other income		180	265
Total superannuation activities income		**(475,130)**	**2,051,120**
Administration expense		(5,249)	(5,811)
Investment expenses		(47,110)	(32,308)
Operating expenses	13	(35,969)	(31,474)
Total expenses		**(88,328)**	**(69,593)**
Net result from superannuation activities		**(563,458)**	**1,981,527**
Profit / (loss) from operating activities		**(563,458)**	**1,981,527**
Net change in Defined Benefit member liabilities		(53,673)	(344,873)
Net benefits allocated to Defined Contribution member accounts		308,998	(1,226,218)
Profit / (loss) before income tax		**(308,133)**	**410,436**
Income tax (expense) / benefit	10	139,105	(189,676)
Profit / (loss) after income tax		**(169,028)**	**220,760**

The above Income Statement should be read in conjunction with the accompanying notes.

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Statement of Changes in Member Benefits
For the year ended 30 June 2022

	Defined Contribution Members ("DC") $'000	Defined Benefit Members ("DB") $'000	Total $'000
Opening balance as at 1 July 2021	9,774,430	3,574,001	13,348,431
Contributions:			
Employer	396,797	84,146	480,943
Member	185,393	11,054	196,447
Transfer from other superannuation plans	330,565	8,341	338,906
Government co-contributions	356	19	375
Income tax on contributions	(60,108)	(12,849)	(72,957)
Net after tax contributions	**853,003**	**90,711**	**943,714**
Benefits to members/beneficiaries	(647,671)	(340,971)	(988,642)
Transfer from defined benefit to defined contribution	8,244	(8,244)	-
Insurance premiums charged to members' accounts	(11,810)	-	(11,810)
Death and disability insurance benefits credited to members' accounts	8,961	-	8,961
Benefits allocated to members' accounts, comprising:			
Net investment (loss)	(303,672)	(69,668)	(373,340)
Administration fees	(5,326)	(957)	(6,283)
Actuarial Deficiency *	-	124,298	124,298
Closing balance as at 30 June 2022	**9,676,159**	**3,369,170**	**13,045,329**

	Defined Contribution Members ("DC") $'000	Defined Benefit Members ("DB") $'000	Total $'000
Opening balance as at 1 July 2020	8,438,056	3,414,401	11,852,457
Contributions:			
Employer	371,623	101,263	472,886
Member	138,586	10,864	149,450
Transfer from other superannuation plans	244,253	7,560	251,813
Government co-contributions	369	22	391
Income tax on contributions	(55,305)	(15,094)	(70,399)
Net after tax contributions	**699,526**	**104,615**	**804,141**
Benefits to members/beneficiaries	(594,800)	(282,686)	(877,486)
Transfer from defined benefit to defined contribution	7,202	(7,202)	-
Insurance premiums charged to members' accounts	(11,906)	-	(11,906)
Death and disability insurance benefits credited to member's accounts	10,134	-	10,134
Benefits allocated to members' accounts, comprising:			
Net investment income	1,232,003	552,651	1,784,654
Administration fees	(5,785)	(947)	(6,732)
Actuarial Surplus *	-	(206,831)	(206,831)
Closing balance as at 30 June 2021	**9,774,430**	**3,574,001**	**13,348,431**

* Net change in defined benefit member benefits equates to the relative change in the value of the net assets and the related defined benefit accrued liability.

The above Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

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Statement of Changes in Reserves
For the year ended 30 June 2022

	Defined Benefits that are overfunded $'000	Other reserves $'000	ORFR $'000	Total equity $'000
Opening balance as at 1 July 2021	168,261	94,255	33,513	296,029
Increase in DB member benefits	(53,673)	-	-	(53,673)
Operating result	(70,622)	(44,763)	30	(115,355)
Closing balance as at 30 June 2022	**43,966**	**49,492**	**33,543**	**127,001**

	Defined Benefits that are overfunded $'000	Other reserves $'000	ORFR $'000	Total equity $'000
Opening balance as at 1 July 2020	(38,540)	80,531	33,278	75,269
Increase in DB member benefits	(344,873)	-	-	(344,873)
Operating result	551,674	13,724	235	565,633
Closing balance as at 30 June 2021	**168,261**	**94,255**	**33,513**	**296,029**

The above Statement of Changes in Reserves should be read in conjunction with the accompanying notes.

ACTIVE SUPER
Statement of Cash Flows
For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Interest from cash and cash equivalents		72,688	64,569
Administration expenses		(41,575)	(36,765)
Insurance Proceeds		8,961	10,134
Insurance Premiums		(11,810)	(11,919)
Other expenses		(1,393)	(1,204)
Net income tax (paid)/refunded		(122,755)	1,585
Investment expenses		(47,110)	(32,308)
Net cash (outflows) from operating activities	15	(142,994)	(5,908)
Cash flows from investing activities			
Purchase of investments		(6,553,399)	(3,856,415)
Proceeds from sale of investments		6,678,736	3,949,917
Net cash inflows from investing activities		125,337	93,502
Cash flows from financing activities			
Employer contributions		480,943	472,886
Member contributions		196,447	149,450
Transfers from other superannuation plans received		338,906	251,813
Government co-contributions received		375	391
Benefits paid to members		(988,642)	(877,486)
Income tax paid on contributions received		(72,957)	(70,399)
Net cash outflows from financing activities		(44,928)	(73,345)
Net (decrease)/increase in cash		(62,585)	14,249
Cash at the beginning of the financial period		167,922	153,673
Cash at the end of the financial period	15	**105,337**	**167,922**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Operation of the Fund

On 9 June 2022, Active Super announced that Active Super and Vision Super have signed a Memorandum of Understanding (MOU) to explore a potential merger and will undertake due diligence to determine if a merger is likely to be in the best financial interest of members of both funds.

Active Super ("the Fund") consists primarily of members who are employed by a participating employer, as well as a public offer division which is open for anyone who is eligible to join a superannuation fund.

LGSS Pty Limited acts as Trustee and is the holder of both an RSE and an AFS licence. The Fund was established in accordance with sections 127 and 128 of the Superannuation Administration Act, 1996 ("the Act"). During the financial year, LGSS Pty Limited also provided financial planning services to the Fund.

The Fund consists of six divisions which are set out in the Trust Deed. The Accumulation Scheme is separated into two divisions, Division A and Division P. Division A is the division for the receipt of contributions from Scheduled Employers and Division P represents the Public Offer division. The Retirement Scheme is provided under Division B. The Retirement Scheme is a hybrid scheme consisting of both Accumulation and Defined Benefit components. The Defined Benefit Scheme is provided under Division D.

The majority of members of Divisions B and D hold a Division C account. Division C comprises the Basic Benefit, which is a Defined Benefit funded by employers, and an Other Contributions account which is an Accumulation style account which can accept non-defined contributions.

Divisions B, C and D are closed to new members, except for members of eligible entities who can transfer their entitlements into the Fund.

The Account-Based Pension Plan is provided under Division F. The Lifetime Guaranteed Income and Fixed Term Guaranteed Income accounts ("Guaranteed Income accounts") are also provided under Division F.

The Fund is a reporting entity for financial reporting purposes.

The Fund is domiciled in Australia and the address of the Fund's registered office is Level 12, 28 Margaret Street, Sydney, NSW 2000.

The Fund's custodial activities are provided by JP Morgan Chase Bank N.A. ("JP Morgan").

2. Summary of significant accounting policies

(a) Basis of preparation

The Financial Statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, the Superannuation Industry (Supervision) Act 1993 and regulations and the provisions of the Trust Deed.

The Financial Statements are presented in Australian Dollars and all values are rounded to the nearest $'000 except where otherwise indicated.

The Fund is a not-for-profit entity for the purpose of preparing Financial Statements.

The statements were approved by the Board of Directors of the Trustee, LGSS Pty Limited, on 21st September 2022.

2. Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations

There are no new accounting standards, amendements or interpretations that are effective for annual periods beginning on 1 July 2021 that have a material impact on the financial statements of the Fund. The Fund has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and have not been adopted by the Fund for the annual reporting period ended 30 June 2022. The impact of these standards and interpretations has been assessed and to the extent applicable to the Fund are outlined in the table below.

Standards and Interpretations that are not expected to have any impact on the Fund have not been included.

Accounting standard	Nature	Application date of standard	Application date for the Fund
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	This Standard amends AASB 101 to clarify the requirements for classifying liabilities as current or non-current. Specifically: • the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists; and • management's intention or expectation does not affect classifications of liabilities. The impact of the adoption of AASB 2020-1 is not material to the Fund.	1 January 2022	1 July 2023

(c) Consolidation

The Fund is an investment entity and, as such, does not consolidate the entities it controls. Instead the interest in its subsidiary, Local Government Property Fund, is classified and measured at fair value through profit and loss. The Fund has a controlling interest in Local Government Financial Services Pty Limited and the LG Diversified Trust.

2. Summary of significant accounting policies (continued)

(d) Financial assets and liabilities

(i) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.
In applying that classification, a financial asset or financial liability is considered to be held for trading if:
- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets
Financial assets measured at Fair Value through Profit & Loss (FVPL).
A financial asset is measured at FVPL if:
- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, It is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:
- Financial instruments held for trading: this includes all instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

Financial liabilities
Financial liabilities measured at FVPL.
A financial liability is measured at FVPL if it meets the definition of held for trading.
The Fund includes in this category derivative contracts in a liability position and all payables.

(ii) Recognition

The Fund recognises a financial asset or financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

a) The rights to receive cash flows from the asset have expired; or
b) The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
c) Either (i) the Fund has transferred substantially all the risks and rewards of the asset, or (ii) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

2. Summary of significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

(iv) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in the Income Statement.

Receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the Income Statement, unless specified otherwise.

(v) Subsequent measurement

After initial measurement, the Fund measures financial instruments at fair value through profit or loss. Subsequent changes in the fair value of those instruments are recorded as 'changes in assets measured at fair value' through the Income Statement. Interest earned is recorded in 'Interest revenue' according to the terms of the contract.

(e) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy. Refer to Note 7.

(f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

(g) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value. Receivables are normally settled within 30 days.

Payables are carried at nominal amounts which approximate fair value. They represent liabilities for goods and services provided to the Fund prior to the end of the financial year that are unpaid. Payables are normally settled on 30 day terms.

2. Summary of significant accounting policies (continued)

(h) Revenue recognition

The specific recognition criteria described below must also be met before revenue is recognised:

Changes in assets measured at fair value
Changes in the fair value of investments and derivatives are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the Income Statement.

Interest
Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and is recognised in the Income Statement.

Dividends and distributions
Dividend and distribution revenue is recognised when the Fund's right to receive payment is established. Revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately as part of Income tax expense in the Income Statement.

(i) Income tax

The Fund is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Act 1997. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income.

Income tax in the Income Statement for the year comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:
- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:
- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

2. Summary of significant accounting policies (continued)

(i) Income tax (continued)

Unrecognised deferred tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows.

(k) Foreign currency

The functional and presentation currency of the Fund is Australian Dollars, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, are recognised in the Income Statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(l) Member liabilities

Member liabilities are measured at the amount of accrued benefits.

Defined benefit member liabilities are measured as the amount of investments that would be required 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 are measured as the amount of member account balances as at the reporting date.

2. Summary of significant accounting policies (continued)

(m) Reserves

The Fund maintains an Operational Risk Financial Requirement Reserve, in accordance with the requirements established by the Australian Prudential Regulatory Authority under Prudential Standard SPS 114 Operational Risk Financial Requirement, and also holds Administration, Self-Insurance, Murrumbidgee and Other reserves. More detail on reserves is provided in Note 6.

(n) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's Financial Statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the Financial Statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

Fair Value of Investments
When the fair values of the investments recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model (DCF model). The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of these investments.

Assessment as investment entity
Entities that meet the definition of an investment entity within AASB 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate these subsidiaries. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund’s Product Disclosure Statement details its objective of providing services to members which includes investing in cash and short term deposits, other interest bearing securities, Australian Equities, Australian Unit Trusts and Australian Property Trusts for the purpose of returns in the form of investment income and capital appreciation.

The Fund reports to its members via an annual report, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by AASB 1056 in the Fund’s annual report. The Fund has a clearly documented exit strategy for all of its investments.

The Trustee has also concluded that the Fund meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties.

The Trustee has therefore concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

2. Summary of significant accounting policies (continued)

(n) Significant accounting judgements and estimates and assumptions (continued)

Valuation of defined benefits member liabilities
The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions relate to items, such as, member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities can be highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

In determining the appropriate discount rate (Investment return), the actuary considers an investment portfolio that reflects the opportunities reasonably available to the Fund in the investment markets, and also reflects the Fund's actual investments and investment strategy in respect of defined benefit member liabilities.

The pensioner mortality assumptions are based on the experience of Australian public sector pensioners over recent years. Future salary increases are based on long-term economic forecasts consistent with the expected discount rate assumption. Past experience and the expectations for short term future salary increases (including consultation with the employer-sponsors) are taken into account in setting the assumption. The expected rate of CPI increase (for pension indexation) is based on the target range of the Reserve Bank of Australia.

3. Defined contribution member liabilities

Defined contribution member account balances are determined by unit prices that are determined based on the underlying investment movements.

Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure the member liabilities. Unit prices are updated daily.

4. Defined benefit member liabilities

The Fund has appointed an actuary to undertake annual reviews, together with a more comprehensive triennial review, to assess the adequacy of the funding for the defined benefit schemes.

The actuarial valuation of member liabilities reflects the actuarial assessment of the benefits accrued up to the reporting date and payable to members on retirement, resignation, death and disability. The Board reviews the results of the annual assessment by the actuary, and then determines the level of funding required by Employers to ensure that the defined benefits remain fully funded.

The key assumptions used to determine the values of accrued benefits for the Fund were:
- The discount rate/future rate of investment return (net of investment taxes and fees): 6.0% (2021: 5.75%)
- The future rate of salary growth: 3.5% (2021: 3.5%)
- The CPI increase assumption: 2.5%* (2021: 2.5%)

  **Increase of 5.3% allowed for pension increase at 1 October 2022*

The defined benefit liabilities have decreased over the current financial year primarily due to the payment of benefits to members, an increase in the assumed rate of expected investment returns, a lowering of the administration expense allowance and a reduction in accumulation style benefits. This has been partly offset by interest on the liabilities, additional benefits accruing to members, updated mortality and pension selection assumptions for eligible Division B members.

The change in assumptions relating to the updating of mortality and pension selection for eligible Division B members and the lowering of the administration expense allowance are consistent with and result from the detailed review of assumptions as part of the 30 June 2021 triennial actuarial investigation.

The Trustee has a number of strategies in place to manage the risks associated with the defined benefit plan. The Trustee has appointed external consulting actuaries to advise on the risks, including establishing suitable funding objectives. These funding objectives and the defined benefit plan's circumstances are taken into account by the actuaries when recommending the required employer contribution levels.

4. Defined benefit member liabilities (continued)

The Trustee also uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The Trustee has identified three assumptions for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities as follows:

i. Discount rate / investment return
ii. Salary adjustment rate
iii. CPI increase

The other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include: mortality rates and resignations.

The following are sensitivity calculations on a univariate basis for the investment return, rate of salary adjustment and CPI increase assumptions for the defined benefit plan.

Assumption		Assumed at reporting date %	Sensitivity change %	Amount of Increase/ (Decrease) in member benefit liabilities $'000
Discount rate/Investment return	2022:	6.00%	-1.0% +1.0%	166,504 (142,092)
	2021:	5.75%	-1.0% +1.0%	177,690 (142,367)
Salary adjustment rate	2022:	3.5%	+1.0% -1.0%	62,644 (58,391)
	2021:	3.5%	+1.0% -1.0%	83,596 (59,916)
CPI increase	2022:	2.5%	+1.0% -1.0%	96,699 (82,343)
	2021:	2.5%	+1.0% -1.0%	103,450 (68,381)

Vested benefits and accrued benefits are two different actuarial calculations so the amounts will be different. Vested benefits for an active member are the benefits to which they would be entitled if they left service now e.g. a deferred pension. Accrued benefits are their benefits based on service up to now, but they may be based either on the member's current salary or their salary projected to retirement. Essentially, therefore the difference will be in salary growth vs investment performance.

At 30 June 2022 $899,762 (2021: $1,741,000) has not been allocated to members at balance date. The amount not yet allocated to members' accounts consists of contributions received by the Fund that have not been able to be allocated to members as at balance date and insurance claims payable which have not yet been paid from members accounts.

5. Defined benefit plan that is overfunded

	2022 $'000	2021 $'000
Defined benefit plan	43,966	168,261

The employer-sponsors contributed at the rate recommended by the actuary.

The 2022 surplus (2021: surplus) is based on a comparison of the Plan Asset (Pooled Employers' Reserve) against the Defined Benefit member liabilities. The value of the liabilities is based upon an accrued benefit valuation performed by the Fund's actuary in accordance with the requirements of AASB 1056.

The total value of the Vested benefits liabilities is $3,418,405,000 (2021: $3,596,337,000).

6. Reserves

	2022 $'000	2021 $'000
Other reserves		
Administration reserve	10,725	9,514
Murrumbidgee reserve	18,301	22,585
Self-Insurance reserve	1,320	1,320
Other reserves	19,146	60,836
	49,492	94,255
Operational Risk Financial Requirement reserve	33,543	33,513
	83,035	127,768

The purpose of the Operational Risk Financial Requirement reserve (ORFR) is to provide protection to the Fund in the event that a loss is incurred from an operational risk event occurring. The use of the ORFR reserve is governed by the requirements of SPS 114, which is applicable to all APRA-regulated funds. The current ORFR reserve represents approximately 0.25% (2021: 0.25%) of the net assets available for member benefits. The Trustee intends to maintain this reserve between 0.20% and 0.30% of net assets available for member benefits.

Following the Board's approval of the ORFR Policy on 16 March 2022, the process was completed of transferring both ORFR reserves, previously held with BOQ (ex ME Bank), into the Fund Structure (Balanced option for the Accumulation ORFR and the Defined Benefit option for the Defined Benefit ORFR). This was completed in June 2022.

The purpose of the Administration Reserve is to fund the operational expenses of the Trustee.

The purpose of the Self-Insurance Reserve is to pay insurance claims which cannot be recovered from an external insurer.

The purpose of the Murrumbidgee reserve is to recognise the liability in respect of the Murrumbidgee Irrigation pensioners. On 2 October 2018, annuity policies were purchased with Challenger Life Limited ('Challenger') in the Trustee's name in respect of the Murrumbidgee Irrigation pensioner liabilities. These funds are revalued annually by Challenger and verified by the actuary, Mercer. Any revaluation in member liabilities is also reflected in the carrying value of the investment. The movement in investments is reflected in unrealised gains/losses in the Income Statement.

The purpose of Other reserves is to isolate the investment related revenue, net of investment related taxes and expenses, which is ultimately allocated to members.

Transfers in and out of the reserves are made only at the authorisation of the Trustee and in accordance with the Fund's Reserve Policy.

7. Fair value of financial instruments

(a) Classification of financial instruments under the fair value hierarchy

AASB 13 requires the classification of financial instruments at fair value (net market value) determined by reference to the source of inputs used to derive the fair value. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7. Fair value of financial instruments (continued)

(a) Classification of financial instruments under the fair value hierarchy (continued)

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Other Interest Bearing Securities				
Corporate Bonds	114,162	1,266,448	-	1,380,610
Government Bonds	-	596,952	-	596,952
Asset-backed securities	-	615,690	-	615,690
	114,162	2,479,090	-	2,593,252
Australian Equities				
Listed Equities	2,250,696	-	-	2,250,696
Unlisted Equities	-	1,280,966	1,480,206	2,761,172
	2,250,696	1,280,966	1,480,206	5,011,868
International Equities				
Listed Equities	2,269,340	-	-	2,269,340
Unlisted Equities	-	163,389	288,109	451,498
	2,269,340	163,389	288,109	2,720,838
Australian Unit Trusts				
Listed Trusts	66,039	-	-	66,039
Listed Property Trusts	96,797	-	-	96,797
Unlisted Property Trusts	-	-	77,189	77,189
	162,836	-	77,189	240,025
International Unit Trusts				
Listed Trusts	4,059	-	-	4,059
Listed Property Trusts	212,220	-	-	212,220
Unlisted Unit Trusts	-	-	1,148,396	1,148,396
	216,279	-	1,148,396	1,364,675
Derivative Assets				
Options	-	156	-	156
Futures	3,786	-	-	3,786
Swaps	-	35,289	-	35,289
Forward foreign exchange contracts	-	24,816	-	24,816
	3,786	60,261	-	64,047
Derivative Liabilities				
Futures	(2,489)	(1,614)	-	(4,103)
Swaps	-	(51,307)	-	(51,307)
Forward foreign exchange contracts	-	(142,569)	-	(142,569)
	(2,489)	(195,490)	-	(197,979)
Total investments	5,014,610	3,788,216	2,993,900	11,796,726

7. Fair value of financial instruments (continued)

(a) Classification of financial instruments under the fair value hierarchy (continued)

30 June 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Other Interest Bearing Securities				
Corporate Bonds	28,635	1,263,322	-	1,291,957
Government Bonds	-	874,109	-	874,109
Asset-backed securities	-	612,833	-	612,833
	28,635	2,750,264	-	2,778,899
Australian Equities				
Listed Equities	2,417,036	-	-	2,417,036
Unlisted Equities	-	1,277,332	1,341,477	2,618,809
	2,417,036	1,277,332	1,341,477	5,035,845
International Equities				
Listed Equities	2,492,880	-	-	2,492,880
Unlisted Equities	-	186,029	325,647	511,676
	2,492,880	186,029	325,647	3,004,556
Australian Unit Trusts				
Listed Trusts	89,529	-	-	89,529
Listed Property Trusts	105,878	-	-	105,878
Unlisted Property Trusts	-	-	81,011	81,011
	195,407	-	81,011	276,418
International Unit Trusts				
Listed Property Trusts	224,215	-	-	224,215
Unlisted Unit Trusts	-	-	1,105,099	1,105,099
	224,215	-	1,105,099	1,329,314
Derivative Assets				
Options	-	667	-	667
Futures	2,466	37	-	2,503
Swaps	-	16,639	-	16,639
Forward foreign exchange contracts	-	14,449	-	14,449
	2,466	31,792	-	34,258
Derivative Liabilities				
Options	-	(955)	-	(955)
Futures	(1,652)	(1)	-	(1,653)
Swaps	-	(15,486)	-	(15,486)
Forward foreign exchange contracts	-	(98,328)	-	(98,328)
	(1,652)	(114,770)	-	(116,422)
Total investments	5,358,987	4,130,647	2,853,234	12,342,868

(b) Transfers between hierarchy levels

There have been no significant transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year. Following a reassessment of the valuation inputs, there were no balances reclassified from Level 2 to Level 3 of the fair value hierarchy during the financial year (2021: $834,234,376) and no balances were reclassified from Level 3 to Level 2 (2021: $47,329,061).

7. Fair value of financial instruments (continued)

(c) Valuation technique

Interest bearing securities
The Fund invests in both floating rate instruments such as an "At call" bank account and fixed interest instruments such as bonds. In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable users and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. Investments are classified as Level 1 when prices are quoted in an active market. To the extent that the significant inputs are observable, the Fund categorises these investments into Level 2. Level 2 assets are assets that do not have regular market pricing, but whose fair value can be readily determined based on other data values.

The fair value of investments in asset-backed securities, for which there is currently no active market, is calculated using a valuation model, which is accepted in the industry. The Fund uses the discounted cash flow method which incorporates both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and real estate prices. Unobservable inputs included assumptions regarding expected future default rates and market liquidity discounts. The Fund classifies asset-backed securities as Level 2 or Level 3.

Unit trusts
The Fund invests in unlisted trusts, which are not quoted in the active market and which may be subject to restrictions on redemptions such as lock up periods, redemption dates and side pockets. The Fund's investment managers consider the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the Net Asset Value ("NAV") of these funds may be used as an input into measuring their fair value. In measuring the fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the Fund and fund managers. In measuring fair value, consideration is also paid to any transactions in the shares of the Fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Fund classifies unlisted trusts and unlisted property trusts as either Level 2 or Level 3. Listed trusts and Listed property trusts are classified as Level 1.

Equities
Where fair values of publicly traded equity securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets with any adjustments, the instruments are included within Level 1 of the hierarchy. The Fund values these investments at bid price for long positions and ask price for short positions. The Fund also invests in unlisted equity companies which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Fund uses a market based valuation technique for these positions. The Fund's investment manager determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. As these investments are not quoted in an active market, the Fund classifies the fair value of these investments as either Level 2 or Level 3.

Derivative assets and liabilities
The Fund uses widely recognised valuation models for determining the fair values of over-the-counter interest rate swaps, currency swaps, options and futures as well as forward exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs to models are market observable and are included within Level 2. Futures that are classified as Level 1 are exchange traded derivatives.

Valuation process for Level 3 valuations

For financial instruments classified in Level 3 in the fair value hierarchy some of the inputs to the valuation models are unobservable and therefore subjective in nature. The use of reasonably possible alternative assumptions could produce a different net market value measurement.

As at 30 June 2022, the Fund has measured the fair value of its unlisted investments at their redemption price.

ACTIVE SUPER

Notes to the Financial Statements
For the year ended 30 June 2022

7. Fair value of financial instruments (continued)

(c) Valuation technique (continued)

Quantitative information of significant unobservable inputs - Level 3:

2022

Sector	$'000	SubSector	$'000	Valuation technique	Significant unobservable inputs	Range (weighted average)
Private Equity	815,085	Unlisted Equities	131,632	Partner Capital Statement	Earnings Multiple	8.8x-18.2x (WA:12.8x)
		Unlisted Unit Trust	683,453			
Growth Alternatives	337,652	Unlisted Equities	239,046	Partner Capital Statement	Discount Rate	17.7%-18% (WA:17.8%)
		Unlisted Unit Trust	98,606			
Infrastructure	492,807	Unlisted Equities	381,490	Unit Price	Discount Rate	7.6%-9.2% (WA:8.7%)
		Unlisted Unit Trust	111,317			
Private Credit	344,847	Unlisted Equities	56,596	Partner Capital Statement	Discount Rate	9%-15.3% (WA:11.0%)
		Unlisted Property Trust	33,231			
		Unlisted Unit Trust	255,020			
Property	808,209	Unlisted Equities	764,252	Unit Price	Discount Rate	5.87%-6.13% (WA:6.03%)
		Unlisted Property Trust	43,957			
Other	195,300	Unlisted Equities	195,300	Net Asset Value	Fair Value	N/A
Total	2,993,900		2,993,900			

2021

Sector	$'000	SubSector	$'000	Valuation technique	Significant unobservable inputs	Range (weighted average)
Private Equity	752,072	Unlisted Equities	134,494	Partner Capital Statement	Earnings Multiple	9.2x-18.9x (WA:13.4x)
		Unlisted Unit Trust	617,578			
Growth Alternatives	311,896	Unlisted Equities	219,801	Partner Capital Statement	Discount Rate	16%-19% (WA:17.4%)
		Unlisted Unit Trust	92,095			
Infrastructure	477,643	Unlisted Equities	337,488	Unit Price	Discount Rate	7%-9% (WA:8.3%)
		Unlisted Unit Trust	140,155			
Private Credit	381,240	Unlisted Equities	86,047	Partner Capital Statement	Discount Rate	9%-18% (WA:10.9%)
		Unlisted Property Trust	39,922			
		Unlisted Unit Trust	255,271			
Property	762,925	Unlisted Equities	721,836	Unit Price	Discount Rate	6%-7% (WA:6.4%)
		Unlisted Property Trust	41,089			
Other	167,458	Unlisted Equities	167,458	Net Asset Value	Fair Value	N/A
Total	2,853,234		2,853,234			

7. Fair value of financial instruments (continued)

(c) Valuation technique (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

2022

Description	Input	Sensitivity used	Effect on fair value $'000
Private Equity	Earnings Multiple	+/- 0.5x	31,727/(31,727)
Growth Alternatives	Discount rate	+/- 5%	16,079/(16,079)
Infrastructure	Discount rate	+/- 5%	23,467/(23,467)
Private Credit	Discount rate	+/- 5%	16,421/(16,421)
Property	Discount rate	+/- 5%	38,486/(38,486)
Other	Fair Value	+/- 5%	9,765/(9,765)

2021

Description	Input	Sensitivity used	Effect on fair value $'000
Private Equity	Earnings Multiple	+/- 0.5x	28,001/(28,001)
Growth Alternatives	Discount rate	+/- 5%	14,852/(14,852)
Infrastructure	Discount rate	+/- 5%	22,745/(22,745)
Private Credit	Discount rate	+/- 5%	18,154/(18,154)
Property	Discount rate	+/- 5%	36,329/(36,329)
Other	Fair Value	+/- 5%	8,373/(8,373)

(d) Level 3 reconciliation

	2022 $'000	2021 $'000
Opening balance	2,853,234	1,773,671
Purchase	174,220	665,253
Sales	(182,266)	(441,579)
Unrealised gains	148,712	68,984
Transfer out of level 3	-	(47,329)
Transfers into level 3	-	834,234
Closing Balance	2,993,900	2,853,234

8. Receivables

	2022 $'000	2021 $'000
Recoverable after 12 months		
Related party receivable - LGSS Pty Limited	3,619	2,236
Sundry debtors	12	-
	3,632	2,236

The above is inclusive of adjustments for Reduced Input Tax Credits "RITC", in accordance with the Tax Management Framework applicable to the Fund. The Fund's receivable assets are not impaired.

9. Payables

	2022 $'000	2021 $'000
Due within 12 months		
Related party payable - LGSS Pty Limited	3,042	3,391
Other payables	749	936
	3,791	4,327

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 17.

The Related party payable - LGSS Pty Limited is inclusive of adjustments for RITC, in accordance with the Tax Management Framework applicable to the Fund.

10. Income tax

	2022 $'000	2021 $'000
(a) Major components of income tax expense/(benefit) for years ended 30 June 2022 and 2021:		
Current tax charge	(8,559)	79,049
Adjustments in respect of current income tax of previous years	(46,490)	43,901
Deferred tax		
Relating to origination and reversal of temporary differences	(84,056)	66,726
Total tax (benefit) /expense as reported in the Income Statement	(139,105)	189,676
(b) Reconciliation between income tax expense / (benefit) and the accounting profit / (loss) before income tax:		
(Loss)/Profit before income tax	(308,133)	410,436
Income tax (benefit)/expense at 15%	(46,220)	61,565
Derecognition of temporary differences	831	1,157
Net (expense)/benefit allocated to member accounts	(38,299)	235,664
Capital gains/(losses) not assessable/(deductible)	43,170	(69,926)
Exempt pension expense/(income)	11,841	(56,194)
Net imputation and foreign tax credits	(63,911)	(26,464)
Insurance premiums	(27)	(27)
(Over)/Under provision in the previous year	(46,490)	43,901
Income tax (benefit)/expense reported in Income Statement	(139,105)	189,676

10. Income tax (continued)

(c) Deferred Tax

2022	Opening Balance $'000	Recognised in the Income Statement $'000	Closing Balance $'000
Deferred tax asset			
Accrued expenses	134	-	134
Unrealised losses on investments	10,904	19,988	30,892
	11,038	19,988	31,026
Deferred tax liabilities			
Unrealised gains on investments	(138,857)	64,068	(74,789)
	(138,857)	64,068	(74,789)
Net deferred tax asset / (liability)	(127,819)	84,056	(43,763)

2021	Opening Balance $'000	Recognised in the Income Statement $'000	Closing Balance $'000
Deferred tax asset			
Accrued expenses	616	(482)	134
Unrealised losses on investments	-	10,904	10,904
	616	10,422	11,038
Deferred tax liabilities			
Unrealised gains on investments	(61,709)	(77,148)	(138,857)
	(61,709)	(77,148)	(138,857)
Net deferred tax asset / (liability)	(61,093)	(66,726)	(127,819)

The Fund offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets.

ATO Settlement
Active Super has reached an agreement with the Australian Taxation Office (ATO) to settle a dispute arising in respect of the financial years ended 30 June 2017 to 30 June 2020 related to the tax treatment of certain distributions from the Local Investment Fund (LIF) and the redemption of units in the LIF in 2016.

The settlement fully resolves the income tax dispute for the financial years ended 30 June 2017 to 30 June 2020 (including tax, penalties and interest).

The settlement does not result in material impacts to Active Super's current or future financial results.

11. Changes in fair value of investments

	2022 $'000	2021 $'000
Investments held at balance date		
Other Interest Bearing Securities	(125,027)	(56,878)
Australian Equities	(292,827)	520,903
International Equities	(364,098)	612,655
Australian Unit Trusts	11,122	98,531
International Unit Trusts	12,101	35,702
Derivative Assets and Derivative Liabilities	(37,962)	(187,217)
Total unrealised gains / (losses)	(796,691)	1,023,696
Investments realised during the year		
Other Interest Bearing Securities	(39,693)	(31,669)
Australian Equities	(26,744)	139,969
International Equities	(18,798)	88,823
Australian Unit Trusts	1,186	2,419
International Unit Trusts	6,877	6,294
Derivative Assets and Derivative Liabilities	(207,339)	420,905
Total realised gains / (losses)	(284,511)	626,741
Change in fair value of investments	(1,081,202)	1,650,437

The amounts recorded as 'realised gains/(losses)' above is the difference between fair value at sale and the carrying amount at the beginning of the reporting period or when acquired, if acquired during the year.

12. Funding arrangements

For years ended 30 June 2022 and 30 June 2021, member and employer contributions for each of the funds are determined on the basis described below.

(a) Accumulation Scheme

Compulsory Employer Contributions
The percentage of salary or wages of employees prescribed as the rate of compulsory employer (Superannuation Guarantee) contributions between 1 July 2021 to 30 June 2022 was 10% (1 July 2020 to 30 June 2021: 9.50%).

Optional Employer Contributions
Employers may make additional contributions to the Fund for employees in respect of whom compulsory employer contributions are being made.

Optional Member Contributions
Employees as defined in the Act, may make voluntary contributions to the Fund in the form of periodical payments or single payments.

Transfers from Other Funds
Payments include benefits transferred or rolled over from another superannuation fund, approved deposit fund, or retirement savings account.

Optional Spouse Contributions
Employees may make voluntary contributions on behalf of their spouse, as defined in the Act, to the Fund in the form of periodical payments or single payments. Payments include benefits transferred or rolled over from another superannuation fund, approved deposit fund, or retirement savings account.

12. Funding arrangements (continued)

(b) Retirement Scheme

Member Contributions
Each member elects to contribute between 1% and 9% of salary (2020/21: between 1% and 9%).

Employer Contributions
Employers contribute on a fully funded basis as determined by the Trustee based on actuarial advice. In 2021/22 employers contributed at the standard contribution rate of 1.9 times employee contributions (2020/21: 1.9 times employee contributions).

Basic Benefit
The Basic Benefit is made up of two components. Firstly, a Defined Basic Benefit which is a non-contributory fully employer funded benefit. In 2021/22 employers contributed at the standard contribution rate of 2.5% of the members' salary (2020/21: 2.5% of the members' salary). The second component is an Other Contributions account, which is the Accumulation component of a member's Basic Benefit and exists to accept member and employer contributions and transfers from other funds.

(c) Defined Benefit Scheme

Member Contributions
Each member contributes on a "rate for age" basis to individual pension units which become available with salary increases. Members may elect to abandon units where total contributions payable would exceed 6% of the individual salary (2020/21: exceed 6%).

Employer Contributions
Employers contribute on a fully funded basis as determined by the Trustee based on actuarial advice. In 2021/22 employers contributed at the "nominal" contribution rate 1.64 times employee contributions (2020/21:1.64 times employee contributions). Employers may opt to make additional contributions which are determined on an as-needs basis or for a specific purpose.

Basic Benefit
The Basic Benefit is made up of two components. Firstly, a Defined Basic Benefit which is a non-contributory fully employer funded benefit. In 2021/22 employers contributed at the standard contribution rate of 2.5% of the member's salary (2020/21: 2.5% of the member's salary). The second component is an Other Contributions account, which is the Accumulation component of a member's Basic Benefit and exists to accept member and employer contributions and transfers from other funds.

(d) Account-Based Pension Plan

Member Contributions
An Account-Based Pension Plan is funded with a superannuation lump sum payment from either:
- Superannuation or rollover benefits from another Active Super product, or another superannuation fund, as an unrestricted non-preserved benefit,
- A superannuation lump sum if a member elects for a 'Transition To Retirement pension', or
- Any other superannuation or Retirement Savings Account source.

(e) Active Super Guaranteed Income

Active Super Guaranteed Income accounts are established using funds from unrestricted non-preserved superannuation balances held by relevant members in other Active Super accounts.

13. Operating expenses

	2022 $'000	2021 $'000
Actuarial fees	216	200
Trustee expenses	34,308	30,108
Financial planning fees[1]	1,214	1,102
Other expenses	231	64
	35,969	31,474

1. Financial planning fees are deducted from individual member account balances where applicable.

14. Auditors' remuneration

	2022 $'000	2021 $'000
Amounts received or due and receivable by Ernst &Young:		
Audit and review of financial reports and compliance	279	274
Tax services	62	165
	341	439

Audit fees are paid by LGSS Pty Limited on behalf of the Fund. The amounts above are GST inclusive.

Tax services fees received or due and receivable by Ernst & Young for the financial years ended 30 June 2022 and 30 June 2021 relate to the provision of advice.

15. Cash flow statement reconciliation

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2022 $'000	2021 $'000
Cash and cash equivalents	105,337	167,922

Reconciliation of net cash from operating activities to profit / (loss) after income tax (expense) / benefit:

	2022	2021
(Loss)/Profit after income tax benefit/(expense)	(169,028)	220,760
Adjustments for:		
Decrease / (increase) in assets measured in fair value	1,081,202	(1,650,437)
Increase in receivables	(1,395)	(1,291)
(Decrease) / Increase in payables	(535)	330
(Decrease) / increase in income tax payable	(177,803)	124,534
(Decrease) / increase in net deferred tax liability	(84,056)	66,726
Net insurance inflow from members accounts	(2,850)	(1,772)
Distribution income	(162,752)	(142,613)
Dividend income	(367,802)	(190,077)
Other investment income	(2,650)	(3,159)
Allocation to members' accounts	(255,325)	1,571,091
Net cash outflows from operating activities	(142,994)	(5,908)

16. Segment Information

The Fund operates solely in one reportable business segment, being the provision of superannuation benefits to members. The Fund also operates from one reportable geographic segment, being Australia, from where its activities are managed. Revenue is derived from interest, distributions, gains on the sale of investments and unrealised changes in the value of investments. While the Fund solely operates in Australia, it has investment exposures in different countries and across different industries.

17. Financial risk management objectives and policies

The Trustee's robust risk management framework continues to be applied across the Fund's operations and the Trustee continues to monitor the impact of COVID-19 on the Fund's risk profile. Non-financial risks from global and domestic movement restrictions, and any remote working by our staff, counterparties, clients and suppliers, are being identified, assessed, managed and governed through timely application of the Trustee's risk management framework.

(a) Risk management structure

The Management policies used by the Fund to manage financial risks are discussed below.

The investments of the Fund, (other than cash held for meeting daily administrative and benefit expenses, reserves unlisted securities and LGPF), are invested on behalf of the Trustee by investment managers. All assets are directly owned by the Fund, being the beneficial owner.

The investment managers are required to invest the assets allocated for discrete management in accordance with the terms of a written investment management agreement; or through a pooled vehicle, managed on the terms disclosed within the information memorandum. The Trustee of the Fund has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Trustee's investment strategy.

JP Morgan acts as master custodian on behalf of the Trustee and as such provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow risk. The Trustee's risk management and investment policies seek to minimise the potential adverse effects of these risks on the Fund's financial performance and financial position.

Active Super is committed to effectively integrating climate change risks and opportunities into its investment processes across the Fund. We actively measure and monitor investment managers' ability to integrate ESG risk throughout their investment process as we believe this delivers sustainable long term out-performance over time.

Risks from climate change transitions will have a varied impact on investments, with some assets anticipated to yield decreasing returns, while others increase. Opportunities for the Fund include influencing and encouraging responsible investment by directing investments to projects aligned to its purpose and risk appetite. To address these effects, the Trustee will look to continue considering the implications of potentially stranded assets, carbon-intensive industries and evolving opportunities in determining its investment strategy and portfolio allocations.

It is the responsibility of the Trustee to ensure that there is an effective risk management control framework in place. Consistent with regulatory requirements the Trustee has the function of overseeing the establishment and maintenance of risk-based systems and controls for the Fund.

The Trustee has developed, implemented and maintained a Risk Management Framework ("RMF"). The RMF is inclusive of the Trustee's Risk Appetite Statement, Risk Tolerance processes and the Risk Management Strategy.

The RMF details some of the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. This addresses all material risks, financial and non-financial, likely to be faced. Annually, the Trustee certifies to APRA that adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to ensure compliance with legislative and prudential requirements and that the Trustee has satisfied itself as to the compliance with the RMF.

(b) Credit risk

The Fund's exposure to credit risk and policies in managing this risk are aligned and are detailed below. Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract resulting in financial loss to the Fund.

Concentrations of credit risk are minimised primarily by:
- ensuring counterparties, together with the respective credit limit are approved;
- ensuring that transactions are undertaken with a number of counterparties; and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

17. Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

The carrying amounts of financial assets within the Fund's mandated portfolios (cash, bonds, equities etc.) best represent the maximum credit risk exposure at the balance date.

The Fund is exposed to credit risk primarily through its investments. The Trustee manages exposure to any individual counterparty or industry by diversifying it's investments, in line with the Investment Policy Statement. The credit risk is managed by diversifying across investment managers and also by the investment managers having diversified portfolios, thus minimising the counterparty risk.

Credit risk arising on investments is mitigated by investing primarily in rated instruments or instruments issued by rated counterparties with credit ratings of 'BBB+' or better as determined by Standard and Poor's, unless these securities form part of the profile of specifically permitted market benchmarks within mandated or pooled investments as in the case of Emerging Market Debt, High Yield Bonds or as part of the exposure to Structured Products, Private Equity or Semi Liquid Assets. There is greater risk for the less liquid assets than those rated BBB+. As such, these are managed by external professional investment managers, who accept the exposure when they determine the premium being paid is more than sufficient to cover the default risk on the debt.

The risk is further mitigated by the diversification of the exposure across a range of investment managers.

(c) Liquidity risk

The Fund's exposure to liquidity risk and policies in managing this risk are aligned and are detailed below.

The Fund's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity available to meet its expected liabilities. The Fund allows members to withdraw benefits and it is therefore exposed to the liquidity risk of meeting members' withdrawals at any time. The Fund is exposed to liquidity risk primarily through its underlying investments. The investments held by the Fund are considered to be readily realisable. The Fund's and LGPF's financial instruments include investments in unlisted investments, direct property and private equity, which are not traded in an organised market and which generally may be illiquid. As a result, there is a risk that the Fund and LGPF may not be able to liquidate all of these investments at their net market value in order to meet its liquidity requirements.

The Fund's liquidity risk is managed in accordance with the Fund's investment strategy. The Fund has a high level of inward cash flows (through new contributions) which provides capacity to manage liquidity risk. The Fund also manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows. As a further risk mitigation strategy, it is the Trustee's policy that the Fund must have at least 70% exposure to liquid assets at all times. The Fund's overall strategy to liquidity risk management has not changed from the prior year.

The following tables summarise the maturity profile of the Fund's financial liabilities. The tables have been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The tables include both interest and principal cash flows. Financial liabilities of the Fund comprise insignificant trade and other payables which are typically settled within 30 days, together with the liability to pay benefits to members and rollover benefits which are payable within statutory timescales.

	Less Than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Total $'000
30 June 2022				
Member liabilities	13,045,329	-	-	13,045,329
Payables	3,791	-	-	3,791
Current tax liability	-	9,281	-	9,281
Derivative liabilities	145,023	1,356	51,600	197,979
	13,194,143	10,637	51,600	13,256,380
30 June 2021				
Member liabilities	13,348,431	-	-	13,348,431
Payables	4,327	-	-	4,327
Current tax liability	-	187,084	-	187,084
Derivative liabilities	100,662	714	15,046	116,422
	13,453,420	187,798	15,046	13,656,264

17. Financial risk management objectives and policies (continued)

(d) Market risk

The Fund's exposure to market risk and policies in managing this risk are aligned and are detailed below.

Market risk is the risk that the net market value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange (currency risk), market interest rates (interest rate risk) and market prices (price risk). The Fund's policies and procedures put in place to mitigate the Fund's exposure to market risk are detailed in the Trustee's investment policies and the RMF.

Whilst market risk is unavoidable the Fund will look to minimise the volatility and absolute return fluctuations through thoughtful and well diversified portfolio construction. The relationships that varying asset classes display during volatile market conditions are critical in this construction process.

The Fund manages this risk via outsourcing most of it's investment management function; the investment managers manage the financial risks relating to the operations of the Fund in accordance with an investment mandate. The Fund ensures the financial risk management is in accordance with the Fund's Trust Deed, Product Disclosure Statement and investment policies.

The carrying amounts of financial assets best represent the maximum market risk exposure at the balance sheet date.

There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures these risks.

Interest Rate Risk Management
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund is exposed to the interest rate markets. The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of its members. The Fund's investments are subject to interest rate risks and the return on the investments will fluctuate in accordance with movements in market interest rates.

These investments involve cash and cash equivalents and credit instruments.

The Trustee monitors its exposures to interest rate risk. The Fund's overall strategy to interest rate risk management has not changed from the previous year.

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposures to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to the Trustee and represents the Trustee's assessment of the possible change in interest rates.

The following table illustrates the effect on net assets available for member benefits from possible changes in market risk that were reasonably possible based on the risk the Fund was exposed to at reporting date via its investments.

	Change in Variable 2022 +/-	Effect on Change in Net Assets Available for Member Benefits 2022 $'000	Change in Variable 2021 +/-	Effect on Change in Net Assets Available for Member Benefits 2021 $'000
Interest rate risk	1%	(31,405)	2%	(65,646)
Interest rate risk	-1%	31,405	-2%	65,646

17. Financial risk management objectives and policies (continued)

(d) Market risk (continued)

The Fund's activities also expose it to the financial risk of changes in interest rates. Floating rate instruments expose the Fund to cash flow risk, whereas fixed interest rate risk instruments expose the Fund to fair value risk. The Trustee monitors its exposure to interest rate risk on a regular basis.

LIF Pty Limited, as Trustee for Local Government Property Fund, has entered into an interest rate swap contract in order to mitigate the risk of fluctuating interest rates on the interest payments of the debt held. Under these contracts, the parties agree to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. The average interest rate is based on the outstanding balances at the start of the financial year. There are differing maturity dates between the loan and the related swap contracts. The investment manager will commence a review of the relevant debt facility within 6 months prior to maturity of both contracts. The loan facility has a maturity date of March 2023.

The debt facility was increased by $25m on 28 June 2021 to facilitate the purchase of 70-74 Berry St North Sydney. The additional facility was also split between a 50% fixed and 50% floating rate.

The following table details the notional principal amounts outstanding in the Fund as at balance sheet date.

Outstanding floating for fixed contracts	Average contracted interest rate		Notional principal amount		Fair value amount	
	2022	2021	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Loan: Fixed rate	1.21%	1.40%	45,000	45,000	45,000	45,000
Loan: Floating rate	2.40%	0.91%	45,000	45,000	45,000	45,000

<u>Foreign Currency Risk Management</u>
The Fund is exposed to foreign currency risk as a result of its investment in financial instruments denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward exchange rate contracts. The forward exchange rate contracts are designed to hedge an agreed percentage of its exposure to foreign currency for all international equities and 80% of all other international assets. This is conducted according to the Fund's hedging policy. The agreed percentage was 40% (2021: 40%) at balance sheet date. The Trustee of the Fund uses a currency overlay Manager to manage their exposures to foreign currency risk. The Fund's overall strategy to foreign currency risk management has not changed from the previous year.

<u>Foreign currency sensitivity</u>
The following table details the Fund's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity rate of 10% is the sensitivity rate used when reporting foreign currency risk internally to the Trustee and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated non-monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive result indicates an increase in net assets available for member benefits and the liability for accrued benefits where the Australian Dollar weakens against the respective currency. For a strengthening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the increase in net assets available for member benefits, and the balances below would be negative.

	Change in Variable	Effect on Change in Net Assets Available for Member Benefits					
	+/-	USD Impact		JPY Impact		EUR Impact	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Forex Risk	10%	77,348	66,502	7,618	3,434	14,356	16,060
Forex Risk	-10%	(77,348)	(66,502)	(7,618)	(3,434)	(14,356)	(16,060)

17. Financial risk management objectives and policies (continued)

(d) Market risk (continued)

	Change in Variable +/-	Effect on Change in Net Assets Available for Member Benefits			
		GBP Impact		Other Impact	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
Forex Risk	10%	6,048	5,182	14,600	15,316
Forex Risk	-10%	(6,048)	(5,182)	(14,600)	(15,316)

Other Market Risk
Market price risk is the risk that the value of the Fund's investment portfolio will fluctuate as a result of changes in market prices.

The Fund is exposed to market price risk through its investments. This risk is managed by ensuring that all activities are transacted in accordance with investment mandates, overall investment strategy and within approved limits. Market price risk analysis is conducted regularly on a total portfolio basis which includes the effect of derivatives.

The following table illustrates the effect on changes in net assets available for member benefits from possible changes in market prices that were reasonably possible based on the risk the Fund was exposed to at reporting date. For a negative movement in the variable there would be an equal and opposite impact on net assets available for member benefits, and the balances below would be negative:

	Change in Variable +/-	Effect on Change in Net Assets Available for Member Benefits	
		2022 $'000	2021 $'000
Equity Price Risk	10%	930,149	964,613
Equity Price Risk	-10%	(930,149)	(964,613)

18. Related party disclosures

a) Identification of related parties and directors

The Trustee of the Fund is LGSS Pty Limited (ABN 68 078 003 497). The following persons held office as Directors of LGSS Pty Limited during the year or since the end of the year and up to the date of this report:

Ms C Bels
Mr G Brock
Mr D Clausen
Mr D Figliomeni (ceased 4 December 2021)
Mr N Hagarty (appointed 5 December 2021)
Mr K Loades (Chair)
Ms K McKeown
Mr G McLean
Ms S Orleow
Mr C Peate

The above Directors (excluding Ms C Bels, Mr K Loades and Ms S Orleow) are also Directors of Local Government Financial Services Pty Limited, which is 100% owned by Active Super.

18. Related party disclosures (continued)

b) Other key management personnel

The following are considered to be key management personnel of LGSS Pty Limited:

Mr T Carmichael	Head of Human Resources
Ms H Dawson	Chief Experience Officer (ceased 28 January 2022)
Mr P Gilmore	Chief Financial and Commercial Officer
Mr A Gledhill	Chief Risk Officer (ceased 20 February 2022) Acting Chief Product and Retirement Solutions (appointed 21 February 2022)
Ms D Heffernan	Deputy Chief Executive Officer and Company Secretary
Mr B Kula	Acting Head of Risk (appointed 21 February 2022)
Mr P Stockwell	Chief Executive Officer
Mr C Turnbull	Chief Investment Officer
Ms C Walker	Chief Digital and Marketing Officer (ceased 20 February 2022) Chief Member Experience and Growth Officer (appointed 21 February 2022)

c) Compensation of key management personnel of trustee

	2022 $'000	2021 $'000
Short-term benefits	3,722	3,673
Post-employment benefits	312	281
	4,034	3,954

The total compensation due and receivable by Directors of LGSS Pty Limited and the key management personnel during the financial year is payable, directly by LGSS Pty Limited.

d) Transactions entered into during the year with directors and their related entities

Transactions with Director related entities were conducted on normal terms and conditions. Directors' fees are included in short-term employee benefits as set out in Note 18(c) and are for the reimbursement of administration costs incurred by the Directors whilst attending to Trustee business.

e) Contributions and retirement benefits of key management personnel

Certain key management personnel, including the directors of the Trustee paid member contributions into the Fund. These were in accordance with the normal terms and conditions of the Trust Deed.

Mr G McLean is a director of the Trustee who received benefit payments from Active Super during the year in accordance with the Trust Deed.

f) Other related party transactions

During the financial year, the Fund paid $39,772,976 (2021: $36,120,933) to LGSS Pty Limited for management and trustee services. The Fund paid $4,062,002 (2021: $3,825,715) to LGSS Pty Limited for investment related administration fees. The Fund paid $1,213,600 (2021: $1,101,500) to LGSS Pty Limited for financial planning fees which were deducted from member account balances. The amounts paid are inclusive of adjustments for RITC, in accordance with the Tax Management Framework applicable to the Fund.

During the year, the Fund received no refund (2021: $2,200,000) from LGSS Pty Limited and there is a receivable from the Fund of $3,619,379 (2021: $2,236,153) and a payable of $3,041,645 (2021: $3,391,381) outstanding as at 30 June 2022.

During the year, the Fund received $21,950,089 from Local Government Property Fund ("LGPF") (2021: $31,934,407). The investment value of LGDT is $15,124,806 (2021: $15,175,810) and LGPF is $730,024,273 (2021: $689,181,713). Those Trusts are 100% invested into by the Fund.

The Fund holds 100% of the share capital of Local Government Financial Services Pty Limited ("LGFS"). Included in investments is the Fund's investment in LGFS totalling $2.

19. Commitments and contingent liabilities

The Fund has $466,295,352 (2021: $586,482,603) of outstanding capital commitments in relation to the purchase of additional units in Australian and International Unit Trusts. The Fund has no contingent liabilities as at 30 June 2022 (2021: nil)

20. Subsequent events

No significant events have occurred since balance date which would require disclosure in the Financial Statements of the Fund as at 30 June 2022.

21. Subsidiaries

Name of Entity	Country Of Incorporation	2022 Ownership Interest %	2021 Ownership Interest %
Local Government Financial Services Pty Limited	Australia	100%	100%
LG Diversified Trust	Australia	100%	100%
Local Government Property Fund	Australia	100%	100%

Although the Fund has a controlling interest in LGFS and LG Diversified Trust, consolidated accounts have not been prepared because the net asset values of these investments are not material to the Fund.

The Fund has adopted AASB 2013-5 “Amendments to Australian Accounting Standards – Investment Entities”. As a result, the Fund does not consolidate its subsidiary, Local Government Property Fund; however, it is required to provide certain disclosures, as outlined above and below.

Restrictions
The Fund receives income in the form of distributions from its investment in the unconsolidated subsidiary, LGPF, and there are no significant restrictions on the transfer of funds from this entity to the Fund.

Support
The Fund did not provide other financial support to LGPF in the current year (2021: nil).

The Fund has no contractual commitment or current intentions to provide any other financial or other support to its unconsolidated subsidiary (2021: nil).

Trustee Statement

In the opinion of the Trustee of Active Super:

(i) The accompanying Financial Statements are drawn up so as to present fairly the financial position of the Fund as at 30 June 2022 and the results of its operations and cash flows for the year then ended; and

(ii) The operation of the Active Super has been carried out in accordance with its Trust Deed, as amended and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993, and its accompanying Regulations during the year ended 30 June 2022; and

(iii) The Financial Statements have been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements and the provisions of the Trust Deed, as amended.

Signed in accordance with a resolution of the directors of the Trustee.

Signed in Sydney on this 21st day of September 2022.

Director

Director

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Part 1 – Independent Auditor's report on financial statements

Active Super (ABN 28 901 371 321)

Report by the RSE Auditor to the trustee

Opinion

I have audited the financial statements of Active Super for the year ended 30 June 2022 comprising the statement of financial position, income statement, statement of changes in member benefits, statement of cash flows and statement of changes in reserves.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Active Super as at 30 June 2022 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2022.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustee for the Financial Statements

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

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if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, I exercised professional judgment and maintained professional scepticism throughout the audit. I also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee
- Concluded on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RSE's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my auditor opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

RDaSilva

Rita Da Silva
Partner

Ernst & Young

Ernst & Young
Sydney

21 September 2022