ACTIVE SUPER
(ABN 28 901 371 321)

Financial Statements for the Year Ended 30 June 2024

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 2024

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Directors' report

The Directors of LGSS Pty Limited, the Trustee for Active Super (the Fund), present their report, together with the financial statements of the Fund for the year ended 30 June 2024.

Directors

The following directors have held office of LGSS Pty Limited during the financial year and until the date of this report. Directors were in office for the entire period unless otherwise stated.

Ms C Bels	Independent Director
Mr G Brock	Director
Mr D Clausen	Director
Mr N Hagarty	Director (ceased 30 June 2024)
Mr K Loades	Independent Director (Chair)
Ms K McKeown	Director (ceased 30 June 2024)
Mr G McLean	Director
Ms S Orleow	Independent Director
Mr C Peate	Director

Review of operations and results

During the year, the Fund continued to invest its funds in accordance with the Product Disclosure Statements and the provisions of the Fund's constitution.

The Fund's key results for the year ended 30 June 2024 were as follows:

- net result attributable to members was $1,111 million (2023: $842 million)
- total assets were $14,878 million (2023: $14,040 million)
- net assets available for member benefits were $14,635 million (2023: 13,835 million)

Investment performance
Despite inflation and interest rates remaining higher than desired, the Australian and global economies performed better than expected, generating strong positive returns for our members. Our High Growth Options for accumulation, account-based pension and retirement scheme returned 10.89%, 11.89% and 10.88%, respectively to members in the financial year to 30 June 2024.

Fund membership
The Fund's membership count decreased to 86,547 accounts with 81,407 members, compared to 88,821 accounts with 83,695 members in the prior year, while the average balance per member account rose to $166,384 from $153,117 in the previous year.

Significant changes in the state of affairs

Federal Court proceedings
On 10 August 2023, the Australian Securities and Investments Commission (ASIC) commenced proceedings against the Trustee alleging misleading conduct and misrepresentations to the market relating to claims about the Fund's approach to environmental, social and governance (ESG) investment. On 5 June 2024, the Court handed down on its decision on liability, finding largely in favour of ASIC in relation to certain claims Active Super made about its investment policy and practices regarding environmental, social and governance (ESG) factors. There will be a separate hearing to determine final orders (including any potential penalties), which has not taken place at the date of this report.

Changes to the governing rules
Amendment 54 to the Trust Deed took effect on 5 July 2023 to correct an unintended tax outcome for Retirement Scheme members.

CEO and Director resignations
Phil Stockwell ceased to be employed in his position as Chief Executive Officer of the Trustee effective 3 July 2023. Donna Heffernan, previously Deputy Chief Executive and Company Secretary was appointed as Acting Chief Executive Officer and Company Secretary effective 19 June 2023.

Karen McKeown and Nathan Hagarty resigned from their positions as Directors of the Trustee effective 30 June 2024.

Directors' report

Principal activities and significant changes

During the financial year the principal continuing activities of the Fund consisted of providing superannuation, retirement benefits and financial planning services to employees and former employees in the NSW Local Government sector and the broader public. The Fund's Accumulation Scheme and Account Based Pension Scheme remain open to new members. The Fund provides accumulation and defined benefits to members.

The Fund did not have any employees during the year.

Significant events after the end of year

On 7 August 2024, the KMP roles of Chief Member Experience and Growth Officer and Head of Human Resources were determined to be no longer required in the leadup to the SFT with Vision Super.

There are no other matters or circumstances that have arisen since 30 June 2024 that have significantly affected, or may have a significant effect, on:
i. The operations of the Fund in future financial years
ii. The results of those operations in future financial years
iii. The state of affairs of the Fund in future financial years

Likely developments in the Fund's operations and expected results

The Trustee has entered into a deed with Vision Super Pty Limited ("VSPL"), the trustee of the Local Authorities Superannuation Fund ('Vision Super'), for a successor fund transfer (SFT). The continuing trustee for the merged fund will be VSPL. The planned completion date for the SFT is 1 March 2025.

In the interim, the Fund will continue to be managed in accordance with the investment objectives and guidelines, as set out in the Trustee's Product Disclosure Statements and the provisions of the Trust Deed.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed, and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Environmental regulation and performance

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Non-audit services

Details of the amounts paid or payable to the Auditor for non-audit services provided during the year are set out in note 14 of the Notes to the Financial Statements.

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied because the Board Audit Committee or its delegate has assessed each service, having regard to auditor independence requirements of applicable laws, rules and regulations, and concluded that the provision of each service or type of service would not impair the independence of Ernst & Young Australia.

Rounding of amounts and currency

The Company is an entity to which the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, in accordance with that Legislative Instrument, amounts in the Directors' Report and the financial statements have been rounded to the nearest thousand dollars unless stated otherwise. All figures in this Directors' Report and the Financial Statements are expressed in Australian Dollars.

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Auditor's Independence Declaration to the Directors of LGSS Pty Limited as trustee of Active Super

As lead auditor for the audit of the financial report of Active Super for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

R Da Silva

Rita Da Silva
Partner
Sydney
20 September 2024

Directors' report
Remuneration report (audited)

1. Remuneration report overview

The Directors of LGSS Pty Limited, (the Trustee) present the Remuneration Report for the Fund for the year ended 30 June 2024. The Remuneration Report forms part of the Directors' Report and has been audited in accordance with section 300C of the Corporations Act 2001.

The remuneration for Key Management Personnel of the Fund is paid by the Trustee and then recouped via the management fees to the Fund. Fees paid to the Trustee out of the Fund during the year are disclosed in the note 18 to the financial statements.

Key Management Personnel

This Remuneration Report details the remuneration arrangements for the Key Management Personnel (KMP) of the Fund which include those persons who, directly or indirectly, have authority and responsibility for planning, directing, and controlling the major activities of the Fund.

For the Fund this includes:

- Directors of LGSS Pty Limited, the Trustee for the Fund
- Certain senior executives of the Fund who meet the definition of KMP above (collectively the Executive KMP)

The following persons held office as members of the KMP of the Fund during the year or since the end of the year and up to the date of this report unless otherwise stated:

Board of Directors:

Ms C Bels	Independent Director
Mr G Brock	Director
Mr D Clausen	Director
Mr N Hagarty	Director (ceased 30 June 2024)
Mr K Loades	Independent Director (Chair)
Ms K McKeown	Director (ceased 30 June 2024)
Mr G McLean	Director
Ms S Orleow	Independent Director
Mr C Peate	Director

Executive KMP:

Mr T Carmichael	Head of HR (ceased 7 August 2024)
Mr P Gilmore	Chief Financial and Commercial Officer
Mr A Gledhill	Chief Product and Retirement Solutions (effective 1 July 2023, previously Acting Chief Product and Retirement Solutions)
Ms D Heffernan	Acting Chief Executive Officer and Company Secretary
Ms N Kalouche	Acting Chief Governance Officer
Mr B Kula	Chief Risk Officer (appointed 1 July 2023)
Mr P Stockwell	Chief Executive Officer (ceased 3 July 2023)
Mr C Turnbull	Chief Investment Officer
Mr C Walker	Chief Member Experience and Growth Officer (ceased 7 August 2024)

2. Payments and benefits

The tables below detail the payments and benefits in respect of the directors and key management personnels for the financial year ended 30 June 2024:

Directors	Financial year	Short-term benefits	Post-employment	Total
		Board and committee fees	Superannuation	
		$	$	$
C Bels	2024	$98,707	$10,858	$109,565
G Brock	2024	$98,707	$10,858	$109,565
D Clausen	2024	$98,707	$10,858	$109,565
N Hagarty (ceased 30 June 2024)	2024	$82,256	$9,048	$91,304
K Loades	2024	$143,948	$15,834	$159,782
K McKeown (ceased 30 June 2024)	2024	$115,159	$12,667	$127,826
G McLean	2024	$82,256	$9,048	$91,304
S Orleow	2024	$82,256	$9,048	$91,304
C Peate	2024	$131,610	$14,477	$146,087

Executive KMP	Financial year	Short-term benefits	Post-employment	Termination payments	One-off retention payments accrual	Total remuneration
		Salary and fees	Superannuation			
		$	$	$	$	$
T Carmichael	2024	$253,445	$27,888	-	$32,308	$313,641
P Gilmore	2024	$295,510	$32,517	-	$32,308	$360,335
A Gledhill	2024	$302,278	$27,399	-	$32,308	$361,985
D Heffernan	2024	$502,390	$27,399	-	$32,308	$562,097
N Kalouche	2024	$291,695	$32,102	-	$32,308	$356,105
B Kula	2024	$225,225	$24,782	-	$32,308	$282,315
P Stockwell (ceased 3 July 2023)	2024	$22,928	$11,777	$529,116	-	$563,821
C Turnbull	2024	$474,777	$52,243	-	$32,308	$559,328
C Walker	2024	$394,214	$27,399	-	$32,308	$453,921

Elements of remuneration

Director remuneration

The Directors of LGSS Pty Limited are appointed in accordance with a process approved by the shareholders. The fees are based on comparable positions in other superannuation funds and the financial services sector more broadly. The fees payable to individual directors may be delivered as a combination of cash and superannuation at the director's discretion (subject to minimum Superannuation Guarantee requirements).

Directors do not receive performance-related incentives, long service leave, retirement, or termination benefits.

Executive KMP remuneration

Executive KMP are rewarded with a level of remuneration appropriate to their position, responsibilities, and performance, in a way that aligns with the Fund's business strategy and performance.

Executives receive fixed remuneration. Executive remuneration levels are reviewed annually by the Remuneration Committee of the Trustee with reference to the Fund's remuneration framework and market movements.

Fixed remuneration consists of base salary, superannuation and other non-monetary benefits and is designed to reward for:

- The scope of the executive's role
- The executive's skills, experience, and qualifications
- Individual performance

It is set with reference to comparable roles at similar funds.

During the year, the Chief Executive Officer received a termination payment of $529,116 in lieu of the notice period in accordance with his employment contract.

3. Performance remuneration

3a. Bonuses and share-based payment compensation benefits

During the financial year ended 30 June 2024, LGSS Pty Limited did not grant any cash bonuses, performance-related bonuses or share-based compensation benefits to any members of the KMP.

Executive KMP are eligible to participate in the retention payments scheme up to the value of $70,000 per executive KMP which will be paid out upon the completion of the SFT.

3b: Executive employment agreements

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of contracts that were negotiated during the year between LGSS Pty Limited and relevant executives.

Chief Product and Retirement Solutions (CPRS)

A Gledhill, previously the Acting CPRS, was appointed to that role permanently, effective 1 July 2023. Mr Gledhill is employed under a three-year contract which can be terminated with notice by the Board and the CEO.

Under the terms of the present contract, the CPRS receives fixed remuneration of $329,888 per annum.

Chief Risk Officer (CRO)

B Kula, previously the Acting Head of Risk, was appointed as the CRO effective 1 July 2023. Mr Kula is employed under a three-year contract which can be terminated with notice by the Board and the CEO.

Under the terms of the present contract, the CRO receives fixed remuneration of $251,126 per annum.

All other executives are employed on individual open ended employment contracts that set out the terms of their employment.

3c. Key Management Personnel payments to other organisations or entities

During the financial year ended 30 June 2024, no payments attributable to the Fund’s KMP were paid to other organisations or entities.

The Directors' Report is signed in accordance with a resolution of directors of the Trustee made pursuant to section 298(2) of the *Corporation Act 2001* .

On behalf of the Directors of the Trustee

Director	Director
20 September 2024	20 September 2024

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Statement of Financial Position

As at 30 June 2024

	Notes	2024 $'000	2023 $'000
Assets			
Cash and cash equivalents	15(a)	124,420	114,490
Receivables and other assets	8	3,090	4,655
Investments			
Cash and Short Term Deposits		1,484,938	663,809
Other Interest Bearing Securities	7	2,673,809	2,867,616
Australian Equities	7	5,749,050	5,663,812
International Equities	7	3,156,527	2,946,498
Australian Unit Trusts	7	348,879	330,632
International Unit Trusts	7	1,258,029	1,339,752
Derivative Assets	7	72,955	97,557
Deferred tax assets	10	6,431	10,727
Total assets		14,878,128	14,039,548
Liabilities			
Payables	9	(3,997)	(4,814)
Derivative Liabilities	7	(32,892)	(81,262)
Income tax payable		(86,276)	(3,526)
Deferred tax liabilities	10	(119,485)	(114,536)
Total liabilities excluding member benefits		(242,650)	(204,138)
Net assets available for member benefits		14,635,478	13,835,410
Member benefits			
Defined contribution member liabilities	3	(11,242,888)	(10,400,484)
Defined benefit member liabilities	4	(3,210,624)	(3,293,617)
Unallocated to members	4	(1,369)	(1,549)
Total member liabilities		(14,454,881)	(13,695,650)
Total net assets		**180,597**	**139,760**
Equity			
Other reserves	6	70,057	54,842
Operational risk reserve	6	38,428	35,179
Defined benefits that are overfunded	5	72,112	49,739
Total equity		**180,597**	**139,760**

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 2024

	Notes	2024 $'000	2023 $'000
Superannuation activities			
Interest income - assets at amortised cost		5,385	2,871
Interest income - assets at fair value		132,018	107,468
Dividend revenue		286,342	231,901
Distributions from unit trusts		166,721	153,756
Changes in fair value of investments	11	671,420	461,111
Other investment income		4,399	983
Other income		187	196
Total superannuation activities income		**1,266,472**	**958,286**
Administration expense		(5,392)	(5,471)
Investment expenses		(40,367)	(38,820)
Operating expenses	13	(38,480)	(37,347)
Total expenses		**(84,239)**	**(81,638)**
Net result from superannuation activities		**1,182,233**	**876,648**
Profit from operating activities		**1,182,233**	**876,648**
Net change in Defined Benefit member liabilities		(212,186)	(188,828)
Net benefits allocated to Defined Contribution member accounts		(858,251)	(640,373)
Profit before income tax		**111,796**	**47,447**
Income tax expense	10	(70,959)	(34,688)
Profit after income tax		**40,837**	**12,759**

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 2024

	Defined Contribution Members ("DC") $'000	Defined Benefit Members ("DB") $'000	Total $'000
Opening balance as at 1 July 2023	10,400,484	3,295,166	13,695,650
Contributions:			
Employer	485,553	58,870	544,423
Member	159,771	10,113	169,884
Transfer from other superannuation plans	245,904	4,556	250,460
Government co-contributions	370	12	382
Income tax on contributions	(71,318)	(8,710)	(80,028)
Net after tax contributions	**820,280**	**64,841**	**885,121**
Benefits to members/beneficiaries	(838,425)	(353,746)	(1,192,171)
Transfer from defined benefit to defined contribution	7,773	(7,773)	-
Insurance premiums charged to members' accounts	(11,939)	-	(11,939)
Death and disability insurance benefits credited to members' accounts	7,783	-	7,783
Benefits allocated to members' accounts, comprising:			
Net investment income	889,597	236,435	1,126,032
Administration fees	(31,346)	(4,548)	(35,894)
Accrued benefit movement *	-	(19,701)	(19,701)
Closing balance as at 30 June 2024	**11,244,207**	**3,210,674**	**14,454,881**

	Defined Contribution Members ("DC") $'000	Defined Benefit Members ("DB") $'000	Total $'000
Opening balance as at 1 July 2022	9,676,159	3,369,170	13,045,329
Contributions:			
Employer	439,678	66,159	505,837
Member	172,378	7,195	179,573
Transfer from other superannuation plans	258,850	5,884	264,734
Government co-contributions	393	25	418
Income tax on contributions	(64,778)	(9,490)	(74,268)
Net after tax contributions	**806,521**	**69,773**	**876,294**
Benefits to members/beneficiaries	(729,056)	(322,241)	(1,051,297)
Transfer from defined benefit to defined contribution	10,364	(10,364)	-
Insurance premiums charged to members' accounts	(12,048)	-	(12,048)
Death and disability insurance benefits credited to member's accounts	8,171	-	8,171
Benefits allocated to members' accounts, comprising:			
Net investment income	670,162	198,225	868,387
Administration fees	(29,789)	(4,665)	(34,454)
Actuarial Deficiency *	-	(4,732)	(4,732)
Closing balance as at 30 June 2023	**10,400,484**	**3,295,166**	**13,695,650**

* 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 2024

	Defined Benefits that are overfunded $'000	Other reserves $'000	ORFR $'000	Total equity $'000
Opening balance as at 1 July 2023	49,739	54,842	35,179	139,760
Increase in DB member benefits	(212,186)	-	-	(212,186)
Operating result	234,559	15,215	3,249	253,023
Closing balance as at 30 June 2024	**72,112**	**70,057**	**38,428**	**180,597**

	Defined Benefits that are overfunded $'000	Other reserves $'000	ORFR $'000	Total equity $'000
Opening balance as at 1 July 2022	43,966	49,492	33,543	127,001
Increase in DB member benefits	(188,828)	-	-	(188,828)
Operating result	194,601	5,350	1,636	201,587
Closing balance as at 30 June 2023	**49,739**	**54,842**	**35,179**	**139,760**

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 2024

	Note	2024	2023
		$'000	$'000
Cash flows from operating activities			
Interest from cash and cash equivalents		137,403	110,339
Administration expenses		(44,301)	(41,838)
Insurance Proceeds		7,783	8,171
Insurance Premiums		(12,143)	(11,827)
Other expenses		-	(1,006)
Other income		1,570	-
Net income tax refunded		21,035	19,604
Investment expenses		(40,367)	(38,820)
Net cash inflows from operating activities	15(b)	70,980	44,623
Cash flows from investing activities			
Purchase of investments		(2,604,547)	(3,380,459)
Proceeds from sale of investments		2,850,547	3,519,992
Net cash inflows from investing activities		246,000	139,533
Cash flows from financing activities			
Employer contributions		544,423	505,837
Member contributions		169,884	179,573
Transfers from other superannuation plans received		250,460	264,734
Government co-contributions received		382	418
Benefits paid to members		(1,192,171)	(1,051,297)
Income tax paid on contributions received		(80,028)	(74,268)
Net cash outflows from financing activities		(307,050)	(175,003)
Net increase in cash		9,930	9,153
Cash at the beginning of the financial period		114,490	105,337
Cash at the end of the financial period	15(a)	**124,420**	**114,490**

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

1. Operation of the Fund

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 license. 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 the following 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 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 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 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”).

(a) Future operation of the Fund

On 5 June 2023, the Trustee and Vision Super signed a non-binding Heads of Agreement (HOA) to further pursue the merger. The merger will result in the formation of a larger entity with around $27 billion in funds under management, approximately 170,000 member accounts and a broader geographic presence across NSW and Victoria. Stephen Rowe, the current Chief Executive Officer of Vision Super has been selected to assume the role of the CEO for the fund should the merger be concluded.

On 14 May 2024, the Trustee and Vision Super signed a SFT deed which will see Active Super's members and investments transferred to Vision Super on 1 March 2025.

2. Summary of material accounting policy information

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Corporations Act 2001 and Corporations Regulations 2001 and the provisions of the Trust Deed.

The Financial Statements are presented in Australian Dollars and all values are rounded to the nearest $'000 in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

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 20 September 2024.

Going concern

On 14 May 2024, the Trustee entered into a deed with Vision Super for a Successor Fund Transfer ("SFT"), currently planned for effective date of 1 March 2025. The Fund will be deregistered after the SFT. Given that the SFT is expected to occur within the next 12 months with Vision Super being the successor fund, the Financial Statements have been prepared on a liquidation basis.

The change to liquidation basis has had no impact on the valuation or presentation of the financial statements considering that all assets are currently recognised at their fair value and member benefits will be transferred in full to the successor fund. The assets are presented in decreasing order of liquidity on the Statement of Financial Position.

2. Summary of material accounting policy information (continued)

(b) New accounting standards and interpretations

There are no new accounting standards, amendments or interpretations that are effective for annual periods beginning on 1 July 2023 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 2024. 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 2024	1 July 2024

(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 and LG Diversified Trust, are classified as investments 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 material accounting policy information (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 material accounting policy information (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 FVPL) 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 FVPL. Subsequent changes in the fair value of those instruments are recorded as 'Changes in fair value of investments' 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 material accounting policy information (continued)

(h) Revenue recognition

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

Changes in fair value of investments
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 material accounting policy information (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 material accounting policy information (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 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 material accounting policy information (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% (2023: 6.0%)
- The future rate of salary growth: 3.5% (2023: 3.5%)
- The CPI increase assumption: 2.5%* (2023: 2.5%)

**Increase of 3.8% allowed for pension increase at 1 October 2024*

The defined benefit liabilities have decreased over the current financial year primarily due to the payment of benefits to members. 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	2024:	6.0%	-1.0%	152,460
			+1.0%	(130,518)
	2023:	6.0%	-1.0%	161,721
			+1.0%	(138,112)
Salary adjustment rate	2024:	3.5%	+1.0%	45,939
			-1.0%	(43,062)
	2023:	3.5%	+1.0%	53,941
			-1.0%	(50,405)
CPI increase	2024:	2.5%	+1.0%	99,641
			-1.0%	(85,200)
	2023:	2.5%	+1.0%	100,432
			-1.0%	(85,654)

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 2024 $1,368,664 (2023: $1,549,442) 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

	2024 $'000	2023 $'000
Defined benefit plan	72,112	49,739

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

The 2024 surplus (2023: 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 $3,247,376,000 (2023: $3,333,365,000).

6. Reserves

	2024	2023
Other reserves	$'000	$'000
Administration reserve	14,912	11,612
Murrumbidgee reserve	17,454	18,214
Self-Insurance reserve	1,030	1,152
Other reserves	36,661	23,864
	70,057	54,842
Operational Risk Financial Requirement reserve	38,428	35,179
	108,485	90,021

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 0.26% (2023: 0.25%) of the net assets available for member benefits. The Trustee intends to maintain this reserve between 0.225% and 0.30% of net assets available for member benefits.

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 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Other Interest Bearing Securities				
Corporate Bonds	40,398	1,091,027	-	1,131,425
Government Bonds	-	765,686	-	765,686
Asset-backed securities	-	776,698	-	776,698
	40,398	2,633,411	-	2,673,809
Australian Equities				
Listed Equities	3,107,619	-	-	3,107,619
Unlisted Equities	-	1,482,480	1,158,951	2,641,431
	3,107,619	1,482,480	1,158,951	5,749,050
International Equities				
Listed Equities	2,858,120	-	-	2,858,120
Unlisted Equities	-	206,512	91,895	298,407
	2,858,120	206,512	91,895	3,156,527
Australian Unit Trusts				
Listed Trusts	46,672	-	-	46,672
Listed Property Trusts	231,022	-	-	231,022
Unlisted Property Trusts	-	-	71,185	71,185
	277,694	-	71,185	348,879
International Unit Trusts				
Listed Trusts	18,475	-	-	18,475
Listed Property Trusts	261,247	-	-	261,247
Unlisted Unit Trusts	-	-	978,307	978,307
	279,722	-	978,307	1,258,029
Derivative Assets				
Options	-	202	-	202
Futures	3,229	-	-	3,229
Swaps	-	23,192	-	23,192
Forward foreign exchange contracts	-	46,332	-	46,332
	3,229	69,726	-	72,955
Derivative Liabilities				
Futures	(3,100)	(22)	-	(3,122)
Swaps	-	(18,258)	-	(18,258)
Forward foreign exchange contracts	-	(11,512)	-	(11,512)
	(3,100)	(29,792)	-	(32,892)
Total investments	6,563,682	4,362,337	2,300,338	13,226,357

7. Fair value of financial instruments (continued)

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

30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Other Interest Bearing Securities				
Corporate Bonds	242,240	1,106,690	-	1,348,930
Government Bonds	-	686,573	-	686,573
Asset-backed securities	-	832,113	-	832,113
	242,240	2,625,376	-	2,867,616
Australian Equities				
Listed Equities	2,786,757	-	-	2,786,757
Unlisted Equities	-	1,549,112	1,327,943	2,877,055
	2,786,757	1,549,112	1,327,943	5,663,812
International Equities				
Listed Equities	2,618,374	-	-	2,618,374
Unlisted Equities	-	255,003	73,121	328,124
	2,618,374	255,003	73,121	2,946,498
Australian Unit Trusts				
Listed Trusts	62,514	-	-	62,514
Listed Property Trusts	192,778	-	-	192,778
Unlisted Property Trusts	-	-	70,411	70,411
Unlisted Unit Trusts	-	2,476	2,453	4,929
	255,292	2,476	72,864	330,632
International Unit Trusts				
Listed Trusts	5,649	-	-	5,649
Listed Property Trusts	223,801	-	-	223,801
Unlisted Unit Trusts	-	-	1,110,302	1,110,302
	229,450	-	1,110,302	1,339,752
Derivative Assets				
Options	-	409	-	409
Futures	2,265	-	-	2,265
Swaps	-	31,429	-	31,429
Forward foreign exchange contracts	-	63,454	-	63,454
	2,265	95,292	-	97,557
Derivative Liabilities				
Options	-	(1,364)	-	(1,364)
Futures	(4,183)	(169)	-	(4,352)
Swaps	-	(35,923)	-	(35,923)
Forward foreign exchange contracts	-	(39,623)	-	(39,623)
	(4,183)	(77,079)	-	(81,262)
Total investments	6,130,195	4,450,180	2,584,230	13,164,605

(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 $137,922,239 reclassified from Level 2 to Level 3 of the fair value hierarchy during the financial year (2023: nil) and $136,245,322 was reclassified from Level 3 to Level 2 (2023: $19,678,988).

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.

7. Fair value of financial instruments (continued)

(c) Valuation technique (continued)

Quantitative information of significant unobservable inputs - Level 3:

2024

Sector	$'000	SubSector	$'000	Valuation technique	Significant unobservable inputs	Range (weighted average)
Private Equity	784,616	Unlisted Equities	118,963	Partner Capital Statement	Earnings Multiple	7.2x-25.3x (WA:13.8x)
		Unlisted Unit Trust	665,653			
Infrastructure	555,780	Unlisted Equities	462,007	Unit Price	Discount Rate	7.8%-13.4% (WA:9.5%)
		Unlisted Unit Trust	93,773			
Private Credit	318,577	Unlisted Equities	99,695	Partner Capital Statement	Discount Rate	12.0%-15.5% (WA:13.3%)
		Unlisted Unit Trust	218,882			
Property	641,365	Unlisted Equities	570,180	Unit Price	Discount Rate	6.8%-7.4% (WA:7.0%)
		Unlisted Property Trust	71,185			
Total	2,300,338		2,300,338			

2023

Sector	$'000	SubSector	$'000	Valuation technique	Significant unobservable inputs	Range (weighted average)
Private Equity	834,614	Unlisted Equities	123,583	Partner Capital Statement	Earnings Multiple	8.2x-18.3x (WA:13.7x)
		Unlisted Unit Trust	711,031			
Growth Alternatives	187,194	Unlisted Equities	134,038	Partner Capital Statement	Discount Rate	15.9%-15.9% (WA:15.9%)
		Unlisted Unit Trust	53,156			
Infrastructure	499,466	Unlisted Equities	392,084	Unit Price	Discount Rate	7.4%-9.4% (WA:8.8%)
		Unlisted Unit Trust	107,382			
Private Credit	323,836	Unlisted Equities	56,035	Partner Capital Statement	Discount Rate	11.1%-15.5% (WA:14.0%)
		Unlisted Property Trust	28,822			
		Unlisted Unit Trust	238,979			
Property	736,272	Unlisted Equities	694,683	Unit Price	Discount Rate	6.26%-6.7% (WA:6.54%)
		Unlisted Property Trust	41,589			
Other	2,848	Unlisted Equities	641	Net Asset Value	Fair Value	N/A
		Unlisted Unit Trust	2,207			
Total	2,584,230		2,584,230			

7. Fair value of financial instruments (continued)

(c) Valuation technique (continued)

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

2024

Description	Input	Sensitivity used	Effect on fair value $'000
Private Equity	Earnings Multiple	+/- 0.5x	28,403/(28,403)
Infrastructure	Discount rate	+/- 5%	26,466/(26,466)
Private Credit	Discount rate	+/- 5%	15,170/(15,170)
Property	Discount rate	+/- 5%	30,541/(30,541)

2023

Description	Input	Sensitivity used	Effect on fair value $'000
Private Equity	Earnings Multiple	+/- 0.5x	30,501/(30,501)
Growth Alternatives	Discount rate	+/- 5%	8,914/(8,914)
Infrastructure	Discount rate	+/- 5%	23,784/(23,784)
Private Credit	Discount rate	+/- 5%	15,421/(15,421)
Property	Discount rate	+/- 5%	35,061/(35,061)
Other	Fair Value	+/- 5%	142/(142)

(d) Level 3 reconciliation

	2024 $'000	2023 $'000
Opening balance	2,584,230	2,993,900
Purchases	92,366	170,513
Sales	(97,975)	(453,415)
Net unrealised (losses)/gains	(279,960)	(107,089)
Transfer out of level 3	(136,245)	(19,679)
Transfers into level 3	137,922	-
Closing Balance	2,300,338	2,584,230

8. Receivables and other assets

	2024 $'000	2023 $'000
Recoverable within 12 months		
Sundry debtors	-	2,273
	-	2,273

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Information regarding credit risk exposure is set out in Note 17.

	2024 $'000	2023 $'000
Recoverable after 12 months		
Related party receivable - LGSS Pty Limited	3,090	2,382
	3,090	2,382

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

	2024 $'000	2023 $'000
Due within 12 months		
Related party payable - LGSS Pty Limited	3,274	3,914
Other payables	723	900
	3,997	4,814

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

	2024 $'000	2023 $'000
(a) Major components of income tax expense for years ended 30 June 2024 and 2023:		
Current tax charge	61,617	(18,292)
Adjustments in respect of current income tax of previous years	97	(7,066)
Deferred tax		
Relating to origination and reversal of temporary differences	9,245	60,046
Total tax expense as reported in the Income Statement	70,959	34,688
(b) Reconciliation between income tax expense and the accounting profit before income tax:		
Profit before income tax	111,796	47,447
Income tax expense at 15%	16,769	7,117
Derecognition of temporary differences	4,208	3,981
Net benefit allocated to member accounts	160,566	124,380
Capital gains not assessable	(22,399)	(24,436)
Exempt pension income	(42,378)	(27,753)
Net imputation and foreign tax credits	(44,593)	(41,508)
Assessable member contributions adjustment s290-170	(1,109)	-
Non-deductible expenses s40-880	(175)	-
Insurance premiums	(27)	(27)
Under/(over) provision in the previous year	97	(7,066)
Income tax expense reported in Income Statement	70,959	34,688

10. Income tax (continued)

(c) Deferred Tax

2024	Opening Balance $'000	Recognised in the Income Statement $'000	Closing Balance $'000
Deferred tax asset			
Accrued expenses	167	731	898
Unrealised losses on investments	10,560	(5,027)	5,533
	10,727	(4,296)	6,431
Deferred tax liabilities			
Unrealised capital gains on investments	(114,536)	(4,949)	(119,485)
	(114,536)	(4,949)	(119,485)
Net deferred tax asset / (liability)	(103,809)	(9,245)	(113,054)

2023	Opening Balance $'000	Recognised in the Income Statement $'000	Closing Balance $'000
Deferred tax asset			
Accrued expenses	134	33	167
Unrealised losses on investments	30,892	(20,332)	10,560
	31,026	(20,299)	10,727
Deferred tax liabilities			
Unrealised gains on investments	(74,789)	(39,747)	(114,536)
	(74,789)	(39,747)	(114,536)
Net deferred tax asset / (liability)	(43,763)	(60,046)	(103,809)

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 and liabilities.

11. Changes in fair value of investments

	2024 $'000	2023 $'000
Investments held at balance date		
Other Interest Bearing Securities	(15,293)	(19,605)
Australian Equities	169,478	121,668
International Equities	367,646	451,468
Australian Unit Trusts	(59,170)	(61,083)
International Unit Trusts	22,953	(12,690)
Derivative Assets and Derivative Liabilities	5,676	139,669
Total unrealised gains	491,290	619,427
Investments realised during the year		
Other Interest Bearing Securities	28,486	21,768
Australian Equities	33,559	75,379
International Equities	105,426	62,753
Australian Unit Trusts	12,705	771
International Unit Trusts	(3,722)	(7,289)
Derivative Assets and Derivative Liabilities	3,676	(311,698)
Total realised gains / (losses)	180,130	(158,316)
Changes fair value of investments	671,420	461,111

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 2024 and 30 June 2023, member and employer contributions for each of the schemes 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 2023 to 30 June 2024 was 11% (1 July 2022 to 30 June 2023: 10.5%).

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 (2023: between 1% and 9%).

Employer Contributions
Employers contribute on a fully funded basis as determined by the Trustee based on actuarial advice. In 2024 employers contributed at the standard contribution rate of 1.9 times employee contributions (2023: 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 2024 employers contributed at the standard contribution rate of 2.5% of the members' salary (2023: 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 accepts 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 (2023: exceed 6%).

Employer Contributions
Employers contribute on a fully funded basis as determined by the Trustee based on actuarial advice. In 2024 employers contributed at the "nominal" contribution rate 1.64 times employee contributions (2023:1.64 times employee contributions). Employers may 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 2024 employers contributed at the standard contribution rate of 2.5% of the member's salary (2023: 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 accepts 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.

13. Operating expenses

	2024 $'000	2023 $'000
Actuarial fees	78	85
Trustee expenses	36,914	35,856
Financial planning fees[1]	910	794
Other expenses	578	612
	38,480	37,347

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

14. Auditors' remuneration

	2024 $'000	2023 $'000
Amounts received or due and receivable by Ernst &Young:		
Audit and review of financial reports and compliance	306	276
Tax services	-	-
Other services	80	385
	386	661

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

During the year, Ernst & Young received fees of $80,000 (2023: $385,000) for other services in connection with the proposed fund merger under a joint appointment under the Memorandum of Understanding and by the Merger Steering Committee.

No tax services was provided by Ernst & Young for the financial year ended 30 June 2024 (2023: nil).

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:

	2024 $'000	2023 $'000
(a) Cash and cash equivalents	124,420	114,490
(b) Reconciliation of net cash from operating activities to profit after income tax expense:		
Profit after income tax expense	40,837	12,759
Adjustments for:		
(Increase) in assets measured in fair value	(671,420)	(461,111)
Decrease / (increase) in receivables	1,565	(1,023)
(Decrease) / increase in payables	(817)	1,023
Increase / (decrease) in income tax payable	82,750	(5,755)
Increase in net deferred tax liability	9,245	60,047
Net insurance inflow from members accounts	(4,155)	(3,878)
Distribution income	(166,721)	(153,756)
Dividend income	(286,342)	(231,901)
Other investment income	(4,399)	(983)
Allocation to members’ accounts	1,070,437	829,201
Net cash inflows from operating activities	70,980	44,623

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 Fund's risk profile.

(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.

The Trustee is ultimately responsible for ensuring the presence of an efficient risk management control framework within the Fund. In alignment with APRA and ASIC regulatory requirements, the Trustee is tasked with the responsibility of overseeing the establishment and ongoing maintenance of risk-based systems and controls for the Fund. This vital function encompasses the implementation of measures to identify, assess, monitor, and mitigate risks that may affect the Fund's operations, investments, and overall stability. By fulfilling this role, the Trustee safeguards the Fund's interests and upholds its compliance with relevant regulations.

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. Through the RMF, the Trustee establishes a clear understanding of the level of risk it is willing to accept, defines the boundaries for risk-taking, and outlines the overarching strategy to identify, assess, and address potential risks within the Fund. By integrating these essential elements, the Trustee demonstrates its commitment to prudent risk management practices, ensuring the Fund's stability, resilience, and adherence to its strategic objectives.

The Trustee's RMF also 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.

Securities Lending

Securities lending transactions are generally entered into on a collateralised basis in exchange for other securities or cash collateral. Under securities lending arrangements, the legal title to certain assets of the Fund is transferred to other entities, notwithstanding the fact that the risks and rewards of ownership of the assets remain with the Fund.

As the Fund retains the risks and rewards of ownership of the assets, securities that are loaned are not derecognised from the statement of financial position. The financial assets transferred to other entities under securities lending arrangements include Australian and International equities and fixed assets securities. The risks of ownership to which the Fund remains exposed are currency risk, interest rate risk, credit risk and price risk. The carrying amount of securities on loan at reporting date was $802m (2023: $756m).

(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 sufficient funds in bank accounts 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.

17. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

	Less Than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Total $'000
30 June 2024				
Member liabilities	14,454,881	-	-	14,454,881
Payables	3,997	-	-	3,997
Current tax liability	-	86,276	-	86,276
Derivative liabilities	13,611	3,167	16,114	32,892
	14,472,489	89,443	16,114	14,578,046
30 June 2023				
Member liabilities	13,695,650	-	-	13,695,650
Payables	4,814	-	-	4,814
Current tax liability	-	3,526	-	3,526
Derivative liabilities	35,495	18,492	27,275	81,262
	13,735,959	22,018	27,275	13,785,252

(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.

17. Financial risk management objectives and policies (continued)

(d) Market risk (continued)

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 200 basis point (2023: 200) 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 2024 +/-	Effect on Change in Net Assets Available for Member Benefits 2024 $'000	Change in Variable 2023 +/-	Effect on Change in Net Assets Available for Member Benefits 2023 $'000
Interest rate risk	2%	(64,046)	2%	(66,011)
Interest rate risk	-2%	64,046	-2%	66,011

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 manages interest rate exposure for the $90 million secured facility with Westpac via a $45 million fixed and $45 million floating structure. The current facility matures 31 March 2025 and will be either repaid or extended prior to the due date.

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	
	2024	2023	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Loan: Fixed rate	4.87%	2.45%	45,000	45,000	45,000	45,000
Loan: Floating rate	5.55%	4.23%	45,000	45,000	45,000	45,000

Foreign Currency Risk Management
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% (2023: 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.

17. Financial risk management objectives and policies (continued)

(d) Market risk (continued)

Foreign currency sensitivity

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	
		2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Forex Risk	10%	77,189	61,512	2,456	19,749	18,705	18,406
Forex Risk	-10%	(77,189)	(61,512)	(2,456)	(19,749)	(18,705)	(18,406)

	Change in Variable	Effect on Change in Net Assets Available for Member Benefits			
	+/-	GBP Impact		Other Impact	
		2024 $'000	2023 $'000	2024 $'000	2023 $'000
Forex Risk	10%	5,472	5,828	13,363	10,102
Forex Risk	-10%	(5,472)	(5,828)	(13,363)	(10,102)

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	
	+/-	2024 $'000	2023 $'000
Equity Price Risk	10%	1,051,248	1,027,849
Equity Price Risk	-10%	(1,051,248)	(1,027,849)

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 unless otherwise stated:

Ms C Bels	Independent Director
Mr G Brock	Director
Mr D Clausen	Director
Mr N Hagarty	Director (ceased 30 June 2024)
Mr K Loades	Independent Director (Chair)
Ms K McKeown	Director (ceased 30 June 2024)
Mr G McLean	Director
Ms S Orleow	Independent Director
Mr C Peate	Director

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. Directors Ms K McKeown and Mr N Hagarty ceased to be Directors of Local Government Financial Services Pty Limited with their resignations from the Board, effective 30 June 2024.

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 (ceased 7 August 2024)
Mr P Gilmore	Chief Financial and Commercial Officer
Mr A Gledhill	Chief Product and Retirement Solutions (effective 1 July 2023, previously Acting Chief Product and Retirement Solutions)
Ms D Heffernan	Acting Chief Executive Officer and Company Secretary
Ms N Kalouche	Acting Chief Governance Officer
Mr B Kula	Chief Risk Officer (appointed 1 July 2023)
Mr P Stockwell	Chief Executive Officer (ceased 3 July 2023)
Mr C Turnbull	Chief Investment Officer
Ms C Walker	Chief Member Experience and Growth Officer (ceased 7 August 2024)

c) Compensation of key management personnel of trustee

	2024 $'000	2023 $'000
Short-term benefits	3,697	3,827
Post-employment benefits	366	326
Termination Benefits	529	-
Retention payments accrual	258	-
	4,850	4,153

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.

18. Related party disclosures (continued)

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. The terms and conditions of their membership were the same to those of other members of the Fund.

The following key management personnel were members of the Fund during the reporting period and up to the date of the financial report.

Mr G Brock
Ms D Heffernan
Ms K McKeown
Mr G McLean
Mr C Peate
Mr C Turnbull
Ms C Walker

f) Other related party transactions

During the financial year, the Fund paid $42,383,604 (2023: $41,411,899) for management and trustee services. A further $4,126,379 (2023: $4,082,602) was paid from the underlying investment for investment related administration fees. The Fund also paid $909,741 (2023: $794,200) 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.

There is a receivable by the Fund of $3,090,216 (2023: $2,381,774) and a payable of $3,273,610 (2023: $3,914,114) outstanding as at 30 June 2024.

During the year, the Fund received $15,496,011 as reinvested distributions from Local Government Property Fund ("LGPF") (2023: $20,946,820). The investment value of Local Government Diversified Trust ("LGDT") is $14,255,410 (2023: $14,152,060) and LGPF is $570,179,838 (2023: $659,794,003). 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. On 28 June 2024, the application for voluntary deregistration of LGFS was lodged with ASIC.

19. Commitments and contingent liabilities

The Fund has $414,886,671 (2023: $468,899,283) 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 2024 (2023: 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 2024.

21. Unconsolidated subsidiaries

The Fund meets the definition of an investment entity in AASB 10 Consolidated Financial Statements and in accordance with the consolidation exemption for investment entities in AASB 10, the Fund measures its investment in its subsidiaries at fair value through profit or loss in accordance with the AASB 9 Financial Instruments.

The Fund's unconsolidated subsidiaries are disclosed in the table below:

Name of Entity	Country Of Incorporation	2024 Ownership Interest %	2023 Ownership Interest %
Local Government Financial Services Pty Limited	Australia	100%	100%
LG Diversified Trust	Australia	100%	100%
Local Government Property Fund	Australia	100%	100%

Restrictions

The Fund receives income in the form of distributions from its investment in the unconsolidated subsidiary Local Government Property Fund and there are no significant restrictions on the transfer of funds from the unconsolidated subsidiaries to the Fund.

Support

The Fund did not provide other financial support to LGPF in the current year (2023: nil).

The Fund has no contractual commitment or current intentions to provide any other financial or other support to its unconsolidated subsidiary (2023: nil).

22. Other matters

On 10 August 2023, the Australian Securities and Investments Commission (ASIC) commenced proceedings against the Trustee alleging misleading conduct and misrepresentations to the market relating to claims about the Fund’s approach to environmental, social and governance (ESG) investment. On 5 June 2024, the Court handed down on its decision on liability, finding largely in favour of ASIC in relation to certain claims Active Super made about its investment policy and practices regarding environmental, social and governance (ESG) factors. There will be a separate hearing to determine final orders (including any potential penalties), which has not taken place at the date of this report.

Trustee Statement

In the opinion of the Trustee of Active Super:

(a) The financial statements and notes set out on pages 7 to 39 are in accordance with the Corporations Act 2001 and:

(i) Give a true and fair view of the financial position of the Fund as at 30 June 2024 and its performance for the year ended on that date; and

(ii) Comply with Accounting Standards and the Corporations Regulations 2001; and

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

This declaration is made out in accordance with a resolution of the Board of Directors and made pursuant to s.295(5) of the Corporations Act.

On behalf of the Board:

Director
20 September 2024

Director
20 September 2024

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Independent auditor's report to the members of Active Super

Opinion

We have audited the financial report of Active Super (the RSE), which comprises the statement of financial position as at 30 June 2024, the income statement, statement of changes in member benefits, statement of cash flows and statement of changes in reserves for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report of the RSE is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the RSE's financial position as at 30 June 2024, and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the RSE in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical 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 our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of matter - basis of accounting

We draw attention to Note 2(a) of the financial report, which describes the basis of accounting. It is the intention of the directors of LGSS Pty Limited (the Trustee) to wind up the RSE following the Successor Fund Transfer prior to the next year end. As a result, the financial report has been prepared on a basis other than going concern as described in Note 2(a). Our opinion is not modified in respect of this matter.

Information other than the financial report and auditor's report thereon

The directors of the Trustee are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.

- Obtain 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting. When such use is inappropriate and the directors use an alternative basis of accounting, we conclude on the appropriateness of the directors' use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 7 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Active Super for the year ended 30 June 2024, complies with section 300C of the *Corporations Act 2001*.

Responsibilities

The directors of the Trustee are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300C of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

RDaSilva

Rita Da Silva
Partner
Sydney
20 September 2024