

AVSUPER FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

AVSUPER FUND
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AVSUPER FUND
Statement of Financial Position
As at 30 June 2020

	Note	2020 \$	2019 \$
Assets			
Cash and cash equivalents	15	18,219,777	6,533,112
Receivables	7	136,604	186,126
Investments			
Cash, bills and deposits		421,575,894	446,658,060
Other interest bearing securities	6	218,289,069	231,959,823
Australian equities	6	496,947,778	535,232,171
International equities	6	515,112,628	571,712,159
Units in unlisted unit trusts	6	717,332,405	681,673,942
Derivative assets	6	37,652,408	19,950,149
Property, plant and equipment	8	1,947,638	90,582
Income tax receivable		-	6,825,393
Deferred tax assets	14	414,765	537,392
Total assets		2,427,628,966	2,501,358,909
Liabilities			
Payables	9	(5,020,885)	(2,929,259)
Derivative liabilities	6	(11,047,082)	(16,170,772)
Income tax payable		(1,198,685)	-
Deferred tax liabilities	14	(20,670,866)	(30,351,088)
Total liabilities excluding member benefits		(37,937,518)	(49,451,119)
Net assets available for member benefits		2,389,691,448	2,451,907,790
Member benefits			
Defined contribution member liabilities	3	(1,494,355,178)	(1,507,466,421)
Defined benefit member liabilities	4	(677,447,649)	(672,529,975)
Unallocated to members	3	(13,515)	(801)
Total member liabilities		(2,171,816,342)	(2,179,997,197)
Net assets		217,875,106	271,910,593
Equity			
Operational risk reserve	11	10,513,898	10,451,297
Other reserves	11	28,984,762	21,170,406
Defined benefits that are overfunded	5	178,376,446	240,288,890
Total equity		217,875,106	271,910,593

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

AVSUPER FUND
Income Statement
For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Superannuation activities			
Interest from cash and cash equivalents		45,930	145,433
Interest from investments		10,381,164	12,940,617
Dividend revenue		25,856,199	44,103,332
Distributions from unit trusts		27,591,103	47,032,349
Changes in assets measured at fair value	10	(92,334,617)	34,754,919
Other investment income		2,159,518	732,711
Other income		665	160,067
Total superannuation activities income		(26,300,038)	139,869,428
Investment expenses		(10,015,492)	(9,404,425)
Administration expenses		(696,284)	(699,518)
Operating expenses	12	(5,651,540)	(4,711,665)
Other expenses		(92,750)	(39,157)
Total expenses		(16,456,066)	(14,854,765)
Net result from superannuation activities		(42,756,104)	125,014,663
(Loss) / Profit from operating activities		(42,756,104)	125,014,663
Net benefits allocated to defined contribution member accounts		30,050,245	(80,230,317)
Net change in defined benefit member liabilities		(49,414,629)	(45,881,453)
Operating result		(62,120,488)	(1,097,107)
Income tax benefit / (expense)	14	8,085,001	(722,637)
Loss after income tax		(54,035,487)	(1,819,744)

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 2020

	Note	DC Members \$	DB Members \$	Total \$
Opening balance as at 1 July 2019		1,507,467,222	672,529,975	2,179,997,197
Employer contributions		52,622,449	8,695,406	61,317,855
Member contributions		10,543,198	998,388	11,541,586
Transfers from other superannuation plans		25,372,645	-	25,372,645
Government co-contributions		20,774	-	20,774
Income tax on contributions		(7,932,767)	(923,786)	(8,856,553)
Net after tax contributions		80,626,299	8,770,008	89,396,307
Benefits paid to members/beneficiaries		(92,015,350)	(25,363,533)	(117,378,883)
Transfers from defined benefit to defined contribution accounts		27,374,768	(27,374,768)	-
Insurance premiums charged to members' accounts		(2,176,291)	(528,662)	(2,704,953)
Death and disability insurance benefits credited to members' accounts		3,142,290	-	3,142,290
Benefits allocated to members' accounts, comprising:				
Net investment income		(29,684,129)	(12,517,207)	(42,201,336)
Administration fees		(366,116)	(4,886)	(371,002)
Net change in defined benefit member benefits		-	61,936,722	61,936,722
Closing balance as at 30 June 2020	3 & 4	1,494,368,693	677,447,649	2,171,816,342

	Note	DC Members \$	DB Members \$	Total \$
Opening balance as at 1 July 2018		1,393,782,143	673,036,448	2,066,818,591
Employer contributions		51,232,760	8,949,004	60,181,764
Member contributions		11,946,439	1,007,472	12,953,911
Transfers from other superannuation plans		29,578,789	-	29,578,789
Government co-contributions		16,667	-	16,667
Income tax on contributions		(7,473,675)	(1,342,363)	(8,816,038)
Net after tax contributions		85,300,980	8,614,113	93,915,093
Benefits paid to members/beneficiaries		(92,540,565)	(12,990,062)	(105,530,627)
Transfers from defined benefit to defined contribution accounts		41,450,262	(41,450,262)	-
Insurance premiums charged to members' accounts		(2,311,073)	(561,715)	(2,872,788)
Death and disability insurance benefits credited to members' accounts		1,555,158	-	1,555,158
Benefits allocated to members' accounts, comprising:				
Net investment income		80,623,400	43,364,174	123,987,574
Administration fees		(393,083)	(5,102)	(398,185)
Net change in defined benefit member benefits		-	2,522,381	2,522,381
Closing balance as at 30 June 2019	3 & 4	1,507,467,222	672,529,975	2,179,997,197

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

AVSUPER FUND
Statement of Changes in Reserves
For the year ended 30 June 2020

Note	Defined benefits that are overfunded \$	Operational risk reserve \$	Other reserves \$
Opening balance as at 1 July 2019	240,288,890	10,451,297	21,170,406
Transfer in from insurance proceeds	-	425,000	-
Transfer out for operational risk event	-	(451,375)	-
Increase in defined benefit member liabilities	(49,414,629)	-	-
Operating result	(12,497,815)	88,976	7,814,356
Closing balance as at 30 June 2020	<u>178,376,446</u>	<u>10,513,898</u>	<u>28,984,762</u>

	Total equity \$
Opening balance as at 1 July 2019	271,910,593
Transfer in from insurance proceeds	425,000
Transfer out for operational risk event	(451,375)
Increase in defined benefit member liabilities	(49,414,629)
Operating result	(4,594,483)
Closing balance as at 30 June 2020	<u>217,875,106</u>

5 & 11

Note	Defined benefits that are overfunded \$	Operational risk reserve \$	Other reserves \$
Opening balance as at 1 July 2018	242,971,339	10,063,225	20,695,773
Increase in defined benefit member liabilities	(45,881,453)	-	-
Operating result	43,199,004	388,072	474,633
Closing balance as at 30 June 2019	<u>240,288,890</u>	<u>10,451,297</u>	<u>21,170,406</u>

	Total equity \$
Opening balance as at 1 July 2018	273,730,337
Increase in defined benefit member liabilities	(45,881,453)
Operating result	44,061,709
Closing balance as at 30 June 2019	<u>271,910,593</u>

5 & 11

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

AVSUPER FUND
Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Interest from cash and cash equivalents		45,930	145,433
Insurance proceeds		3,074,475	1,516,000
Other general administration expenses		(6,118,321)	(5,467,258)
Insurance premiums		(2,713,600)	(2,646,251)
Net income tax refunded		6,551,484	207,886
Net cash inflows / (outflows) from operating activities	15	<u>839,968</u>	<u>(6,244,190)</u>
Cash flows from investing activities			
Net redemption/(purchase) of investments		38,839,830	6,394,022
Purchase of fixed assets		(10,557)	(15,741)
Net cash inflows from investing activities		<u>38,829,273</u>	<u>6,378,281</u>
Cash flows from financing activities			
Employer contributions		61,317,855	60,181,764
Member contributions		11,541,586	12,953,911
Transfers from other superannuation plans		25,372,645	29,578,789
Government co-contributions		20,774	16,667
Benefits paid to members/beneficiaries		(117,378,883)	(105,530,627)
Income tax paid on contributions		(8,856,553)	(8,816,038)
Net cash outflows from financing activities		<u>(27,982,576)</u>	<u>(11,615,534)</u>
Net increase / (decrease) in cash		11,686,665	(11,481,443)
Cash at the beginning of the financial period		6,533,112	18,014,555
Cash at the end of the financial period	15	<u><u>18,219,777</u></u>	<u><u>6,533,112</u></u>

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

AVSUPER FUND

Notes to the Financial Statements For the year ended 30 June 2020

1. Operation of the Fund

AvSuper Fund (the "Fund") is constituted by the Trust Deed dated 17 July 1990, (as amended). The Trustee of the Fund is AvSuper Pty Ltd (ABN 46 050 431 797) (the "Trustee").

The Fund is a hybrid fund which provides defined benefit and accumulation benefits to its members.

Administration of the Fund is conducted by Link Group Pty Ltd (the outsourced administrator appointed by the Trustee for the full financial year).

The principal place of business of the Fund is:

AvSuper Pty Ltd
Suite 2, Level 5, 221 London Circuit
Canberra City ACT 2601

2. Summary of significant accounting policies

(a) Basis of preparation

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

The financial statements are presented in Australian dollars. The Fund presents its statement of financial position in order of liquidity.

COVID 19 was declared a world wide pandemic by the World Health Organisation in March 2020. COVID 19, despite measures to slow the spread of the virus, has since had a significant impact on global economies and equity, debt and commodity markets. On 22 March 2020 the federal government announced a temporary measure due to the effects of coronavirus on the economy. This new rule allowed individuals to access up to \$10,000 of their superannuation in 2019/20 and a further \$10,000 in 2020/21. For the year ended 30 June 2020 the Fund paid out 269 COVID-19 claims totalling \$2,546,861 in benefits to members seeking early access to their super.

The Fund is a profit for members superannuation fund for the purpose of preparing financial statements.

The financial statements were approved by the Board of Directors of the Trustee, AvSuper Pty Ltd on 16th September 2020.

(b) New accounting standards and interpretations

Accounting standards and interpretations effective for the current financial year

The Fund applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 July 2019. The adoption of these standards and amendments has not had any significant financial impact on the financial statements.

AASB 16 Leases

AASB 16 Leases became effective for annual periods beginning on or after 1 January 2019. The new standard removes the current distinction between operating and financial leases and requires recognition of a right-of-use asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An exemption exists for short-term and low-value leases.

The adoption of this standard resulted in an increase of property, plant and equipment of \$2,108,029 and the recognition of lease liabilities of \$2,008,195 in the Statement of Financial Position as at 1 July 2019.

During the first-time application of AASB 16, the right to use the leased assets were measured at the amounts of the lease liabilities, using the discount rate at the time of the first-time application. The average discount rate as of 1 July 2019 was 3.25%. The comparative financial information for the financial year 2019 was not adjusted in the financial year 2020 in accordance with AASB 16.

Further information in relation to leases is provided in Note 2(q).

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that had a material impact on the Fund.

AVSUPER FUND

Notes to the Financial Statements
For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

Accounting standards and interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently 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 2020.

Accounting Standard and Nature	Application Date of Standard	Application Date of Fund
AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia This Standard amends AASB 1054 by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information specified in paragraphs 30 and 31 of AASB 108 on the potential effect of an IFRS Standard that has not yet been issued by the AASB so that such entity complying with Australian Accounting Standards can assert compliance with IFRS Standards. The impact of the adoption of AASB 2019-5 is not material to the Fund.	1 Jan 2020	1 Jul 2020
AASB 2018-7 Amendments to AASs – Definition of Material The amendments align the definition of 'material' across AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors, and clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The impact of the adoption of AASB 2018-7 is not material to the Fund.	1 Jan 2020	1 Jul 2020
AASB 2020-4 Amendments to AASs – Covid-19-Related Rent Concessions This Standard amends AASB 16, allowing lessees to not account for COVID-19 rent concessions as lease modifications, provided certain conditions are met. The impact of the adoption of AASB 2020-4 is not material to the Fund.	1 Jun 2020	1 Jul 2022
AASB 2020-1 Amendments to AASs – 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 classification of liabilities. The impact of the adoption of AASB 2020-1 is not material to the Fund.	1 Jan 2022	1 Jul 2022

Other significant accounting policies

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.

(c) Consolidation

The Fund is an investment entity and, as such, does not consolidate the entities it controls. Instead, the interest in its controlled entity, the Martin Currie Global Emerging Markets Fund, is classified as fair value through profit or loss and measured at fair value. Refer to Note 2(p) for further details.

2. Summary of significant accounting policies (continued)

(d) Financial assets and liabilities

(a) Classification

The Fund classifies its financial assets and financial liabilities into the categories discussed 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 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.
- Receivables: this includes short-term receivables.

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.

(b) 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 regular way trades are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(c) 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:

- i. The rights to receive cash flows from the asset have expired; or
- ii. 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
- iii. Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) 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.

(d) Initial measurement

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

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

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

AVSUPER FUND

**Notes to the Financial Statements
For the year ended 30 June 2020**

2. Summary of significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

(e) Subsequent measurement

After initial measurement, the Fund measures financial instruments at fair value through profit or loss. Subsequent changes in the fair value of those instruments are recorded as 'changes in assets measured at fair value' through the income statement. Interest and dividends earned are recorded separately in 'Interest revenue' and 'dividend revenue' in the income statement.

(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 are 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.

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

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

2. Summary of significant accounting policies (continued)

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

Changes in assets measured at fair value

Changes in the fair value of financial instruments are calculated as the difference between the fair value at sale, or at reporting 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 a tax expense in the income statement.

(j) 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 reporting date.

Deferred tax is provided on all temporary differences at the reporting 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 reporting 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.

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 reporting date.

AVSUPER FUND

Notes to the Financial Statements
For the year ended 30 June 2020

2. Summary of significant accounting policies (continued)

(j) Income tax (continued)

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.

(k) Goods and services tax ("GST")

Revenue, 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 amount 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.

(l) Superannuation contribution surcharge

The Superannuation Laws Amendment (Abolition of Surcharge) Act 2005 abolishes both the superannuation contributions surcharge and the termination payments surcharge in respect of superannuation contributions and certain termination payments made or received on or after 1 July 2005. Assessments for surcharge in respect of contributions and payments for the year ended 30 June 2005 and prior years will continue to be issued and remain payable.

Superannuation contribution surcharge is levied on surchargeable contributions for a relevant year on the basis of the individual member's adjusted taxable income for that year. The liability for the superannuation contribution surcharge is recognised when the assessment is received, as the Trustee considers this is when it can be reliably measured.

The superannuation surcharge liability recognised by the Fund has been charged to the relevant members' accounts.

(m) 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.

(n) Member liabilities

Member liabilities are measured as the amount of accrued benefits.

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

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

2. Summary of significant accounting policies (continued)

(o) Reserves

The Trustee maintains an operational risk reserve to provide the Trustee with access to funds to protect members' interests and mitigate the impact of an adverse event. Other reserves relate to amounts that the Trustee has put aside for contingent short-term liabilities and projects as part of its operation of the Fund.

(p) Significant accounting judgements and 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 Trustee has considered the impact of COVID-19 and other market volatility in preparing its financial statements. While the specific areas of judgement are noted below, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19 as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Fund's assets and liabilities may rise in the future.

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 a 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 them. 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 units in unlisted unit trusts, listed securities, foreign securities, fixed interest securities, other unlisted equities and derivative financial instruments for the purpose of returns in the form of investment income and capital appreciation.

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

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

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

Valuation of defined benefit 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 are in respect of member turnover, future investment returns, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

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Notes to the Financial Statements For the year ended 30 June 2020

(q) Leases

Leases are recognised, measured and presented in line with AASB 16 Leases.

Valuation of right-of-use assets and lease liabilities

The application of AASB 16 requires the Fund to make judgements that affect the valuation of right-of-use assets (refer Note 8) and the valuation of lease liabilities (refer Note 9). These include determining contracts within the scope of AASB 16, determining the contract terms and determining the interest rate used for discounting of future cash flows.

The lease terms determined by the Fund comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Fund is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Fund is reasonably certain not to exercise that option. The lease terms are applied to determine the depreciation rate of right-of-use assets.

For leases with terms not exceeding twelve months and for leases of low-value assets (less than \$5,000), the Fund has exercised the optional exemptions. The lease payments under these contracts are recognised on a straight-line basis over the lease term as other operating expenses.

In all other leases in which the Fund acts as the lessee, the present value of future lease payments is recognised as a financial liability.

Correspondingly, the right-of-use asset is recognised within property, plant and equipment at the present value of the lease liability.

The present value of the lease liability is determined using the discount rate representing the weighted average incremental borrowing rate. The weighted average incremental borrowing rate for the leased liabilities recognised as of 1 July 2019 was 3.25% p.a.

The right-of-use asset is depreciated on a straight-line basis over the lease term or, if shorter the useful life of the leased asset.

3. Defined contribution member liabilities

Defined contribution member account balances are determined by unit prices that are 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 weekly.

At 30 June 2020 \$13,515 (2019: \$801) has not been allocated to members. 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 reporting date.

Defined contribution member liabilities vest 100%.

During the year, employers contributed to the Fund at varying rates with a minimum of 9.5% (2019: 9.5%) superannuation guarantee contributions for accumulation members.

Refer to Note 18 for the Fund's management of the investment risks.

	2020 \$	2019 \$
Defined contribution members liability at end of the financial year	1,494,355,178	1,507,466,421

4. Defined benefit member liabilities

The Trustee engages the Fund Actuary on an annual basis to measure the defined benefit member liabilities. The Fund has no information that would lead to adjustments to the assumptions.

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. This annual assessment may result in an employer being required to make additional contributions to the Fund.

The key assumptions used to determine the values of accrued benefits for the Fund were:

- The future rate of investment earnings (net of investment taxes and fees): 3.50% p.a. (2019: 4.00% p.a.)
- The future rate of salary growth: 3.1% p.a. (2019: 3.5% p.a.)

The Trustee has a number of steps in place to manage the risks associated with the defined benefit plan. The Trustee engages the Fund Actuary 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 Fund Actuary when recommending the required employer contribution levels.

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Notes to the Financial Statements
For the year ended 30 June 2020

4. Defined benefit member liabilities (continued)

- i. The assumed future rate of investment earnings has been determined by reference to investment returns expected on 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.
- ii. The assumed annual salary adjustment has been determined after discussion with the employer-sponsor. The assumption reflects current market rates for inflation, real economic growth, the share of economic growth of employees and promotional increases.

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 and disability rates and retirement and resignation rates.

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

Assumption		Assumed at reporting date	Reasonable possible change	Amount of (increase) / decrease in member liabilities \$
Investment return	2020:	3.50%	+0.5%	28,312,160
			-0.5%	(30,363,629)
	2019:	4.00%	+0.5%	28,946,468
			-0.5%	(31,088,421)
Salary adjustment rate	2020:	3.10%	+0.5%	(24,065,600)
			-0.5%	25,481,959
	2019:	3.50%	+0.5%	(26,273,490)
			-0.5%	24,776,753

The funding policy adopted in respect of the Fund is directed in ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due.

As such, in framing employer contribution rates, the Actuary has considered long-term trends in factors such as membership, salary growth, investment earnings and average market value of investments of the Fund. Thus, any difference between the Net Assets Available for Member Benefits and the Accrued Benefits has been anticipated.

During the year, the principal employer contributed to the Fund in respect of defined benefit members at the rate of 0% (2019: 0%) of gross salaries for Full members and at the rate of 3% (2019: 3%) for those employees who remain members of the Commonwealth Superannuation Scheme.

Employees who are Full members are able to make defined benefits contributions to the Fund at varying rates between 0% and 10% of salary for superannuation purposes. Employees may also make contributions to an accumulation account.

There was no additional one-off employer contribution made during the financial year ended 30 June 2020 (2019: Nil).

5. Defined benefits that are overfunded

	2020 \$	2019 \$
AvSuper Fund defined benefit plan excess of assets over the value of liabilities	178,376,446	240,288,890

The Fund remains in surplus.

Airservices Australia commenced a Contributions holiday from 1 July 2018.

The Trustee remains satisfied that this will not adversely affect the financial position of the defined benefit division in the near term.

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Notes to the Financial Statements
For the year ended 30 June 2020

6. Fair value of financial instruments

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

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	30 June 2020			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Other interest bearing securities	218,289,069	-	-	218,289,069
Australian equities				
Listed equity securities	496,947,778	-	-	496,947,778
International equities				
Listed equity securities	515,112,628	-	-	515,112,628
Unlisted unit trusts				
Fiduciary International Real Estate Funds	-	-	184,472	184,472
Yield Plus Infrastructure Property Fund	-	-	8,206,352	8,206,352
Investa Commercial Property Fund	-	-	141,356,257	141,356,257
GPT Wholesale Shopping Centre Fund	-	-	36,282,820	36,282,820
Kapstream Capital Fund	-	102,499,013	-	102,499,013
Aurum ISIS AU Dollar Fund	-	54,462,164	-	54,462,164
Bentham Syndicate Fund	-	62,087,189	-	62,087,189
SG Distressed Opp Fund IV	-	-	10,100,481	10,100,481
HayFin Direct Lending Funds	-	-	32,604,916	32,604,916
Partners Group Direct Equities Fund	-	-	32,669,525	32,669,525
Coller International Fund VI	-	-	9,145,999	9,145,999
QIC Global Infrastructure Fund	-	-	35,686,320	35,686,320
Atlas Infrastructure Australian Feeder Fund	77,709,240	-	-	77,709,240
Partners Group Direct Equity Fund 2019	-	-	4,639,655	4,639,655
Continuity Capital Private Equity Fund No 5	-	-	2,872,780	2,872,780
Stone Harbor Emerging Markets Debt	-	-	-	-
Explorer Fund	-	47,776,159	-	47,776,159
Brookfield Super Core Infrastructure	-	-	-	-
Partners	-	-	46,807,888	46,807,888
North Haven Infrastructure Partner III	-	-	7,463,746	7,463,746
Coller International III LP	-	-	4,777,429	4,777,429
	77,709,240	266,824,525	372,798,640	717,332,405
Derivative assets				
Equity futures	-	1,344,442	-	1,344,442
Options	-	31,200	-	31,200
Swaps	-	8,976,227	-	8,976,227
Fixed interest futures	-	8,792,861	-	8,792,861
Forward foreign exchange contracts	-	18,507,678	-	18,507,678
	-	37,652,408	-	37,652,408
Derivative liabilities				
Equity futures	-	(2,292)	-	(2,292)
Options	-	(17,007)	-	(17,007)
Swaps	-	(8,848,226)	-	(8,848,226)
Fixed interest futures	-	(108,700)	-	(108,700)
Forward foreign exchange contracts	-	(2,070,857)	-	(2,070,857)
	-	(11,047,082)	-	(11,047,082)
Total	1,308,058,715	293,429,851	372,798,640	1,974,287,206

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Notes to the Financial Statements
For the year ended 30 June 2020

6. Fair value of financial instruments (continued)

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

	30 June 2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Other interest bearing securities	1,700,147	230,259,676	-	231,959,823
Australian equities				
Listed equity securities	535,232,171	-	-	535,232,171
International equities				
Listed equity securities	571,712,159	-	-	571,712,159
Unlisted unit trusts				
Fiduciary International Real Estate Funds	-	-	632,759	632,759
Yield Plus Infrastructure Property Fund	-	-	11,533,800	11,533,800
Investa Commercial Property Fund	-	-	133,225,123	133,225,123
GPT Wholesale Shopping Centre Fund	-	-	47,094,323	47,094,323
Rare Infrastructure Value Fund	83,960,472	-	-	83,960,472
Kapstream Capital Fund	-	185,706,349	-	185,706,349
Aurum ISIS AU Dollar Fund	-	52,825,274	-	52,825,274
Bentham Syndicate Fund	-	65,369,294	-	65,369,294
SG Distressed Opp Fund IV	-	-	12,648,812	12,648,812
HayFin Direct Lending Funds	-	-	38,962,659	38,962,659
Partners Group Direct Equities Fund	-	-	24,854,927	24,854,927
Collier International Fund VI	-	-	9,643,324	9,643,324
QIC Global Infrastructure Fund	-	-	15,216,826	15,216,826
	83,960,472	303,900,917	293,812,553	681,673,942
Derivative assets				
Equity futures	-	872,664	-	872,664
Options	-	9,708	-	9,708
Swaps	-	12,608,876	-	12,608,876
Fixed interest futures	-	5,599,677	-	5,599,677
Forward foreign exchange contracts	-	859,224	-	859,224
	-	19,950,149	-	19,950,149
Derivative liabilities				
Equity futures	-	(215,981)	-	(215,981)
Options	-	(9,330)	-	(9,330)
Swaps	-	(12,551,498)	-	(12,551,498)
Fixed interest futures	-	(469,962)	-	(469,962)
Forward foreign exchange contracts	-	(2,924,001)	-	(2,924,001)
	-	(16,170,772)	-	(16,170,772)
Total	1,192,604,949	537,939,970	293,812,553	2,024,357,472

Valuation techniques

Interest bearing securities

Interest bearing securities are floating rate instruments such as "at call" bank accounts and fixed interest rate instruments such as bonds. Other interest bearing securities are stated at market quotations as at the reporting date. To the extent that the significant inputs are observable, the Fund categorises these investments into Level 1 and 2.

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Notes to the Financial Statements
For the year ended 30 June 2020

6. Fair value of financial instruments (continued)

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

Valuation techniques (continued)

Australian and International equities

Australian and International equities quoted on a recognised stock exchange are stated at market quotations at reporting date and are classified as Level 1. For equities not listed on a recognised stock exchange the valuation is based on net asset value ("NAV") of the underlying investments and are classified as Level 2.

Unlisted unit trusts

The Fund invests in unlisted unit trusts which are both quoted and not quoted in an active market. For unlisted unit trusts where the valuation is based on quoted prices in an active market the Fund classifies these as Level 1 and where the valuation is based on directly and indirectly observable inputs the Fund classifies these as Level 2. All non quoted unlisted unit trusts due to the nature, frequency of valuations, level of adjustments needed to the net asset value and the level of trading in the trust are classified as Level 3. Unlisted property unit trusts are stated at the price quoted by the trust managers as at reporting date. Infrastructure unit trusts are stated at a valuation based on the advice of the Fund's investment managers at the reporting date. The valuation of the unquoted unlisted unit trusts is based on the manager valuation policies of the Fund's investment managers as at the reporting date. The Fund considers 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. The NAV of these trusts may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the trusts is adjusted, as necessary, to reflect restrictions on redemptions for these financial instruments, significant future commitments, transactions and other specific factors of the trust.

Derivative assets and liabilities

The Fund uses widely recognised valuation models for determining fair values of financial futures, forward exchange contracts, swaps and forward rate agreements. The valuation technique used for these derivatives is a discounted cash flow method based on forward exchange rates at 30 June and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. For these financial instruments, significant inputs into models are market observable and are included within Level 2.

Valuation process for Level 3 valuations

Valuations are the responsibility of the board of Directors of the Trustee.

The investment committee, which is a sub-committee of the Trustee Board and reports directly to the Trustee, is responsible for the management of the Fund's financial instruments. The Trustee has appointed Frontier Advisors Pty Ltd as the Fund's asset consultant to advise on investment issues, including asset allocation, portfolio construction and manager selection and implementation. Frontier Advisors Pty Ltd is required to perform these functions in accordance with the terms of AvSuper's Investment Governance Framework Policy. The Trustee has also retained the services of a number of professional investment managers who have responsibility for investment of the Fund's assets within specified constraints. The Trustee has determined that the appointment of these professional investment managers is appropriate for the Fund and is in accordance with the Trustee's investment strategy.

The Fund's overall market positions are monitored via the custodian and the asset consultant performance report on a quarterly basis and are evaluated annually based on rolling three and five year results. The Board uses the best available information from the custodian and the professional investment manager or the asset consultant at any given point in time and will use observable methods (i.e. fair value) where available.

Whilst all valuations contain some element of uncertainty, the impact of COVID-19 on the markets in which the Fund is exposed to - unlisted equity, property and infrastructure investments - is not fully known due to limited transactional evidence since the outbreak of the pandemic.

As at 30 June 2020, the Fund has measured the fair value of its unlisted investments at their redemption price. This followed an extensive due diligence process to ensure the unit-price reported by fund managers were a reasonable and appropriate reflection of the anticipated impact of COVID-19 on the investees' underlying assets, given updates to NAVs were applied by fund managers outside their most recent audit period.

For property and infrastructure assets held within trusts held by the Fund, it is expected significant valuation uncertainty clauses have been or will be incorporated into external valuation reports adopted which support the unit-price of these trusts as at 30 June 2020. This is consistent with global industry practice. This uncertainty does not mean the valuations adopted cannot be relied upon; however the clauses indicate the higher degree of valuer judgment in determining significant valuation assumptions.

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 fair value measurement.

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Notes to the Financial Statements
For the year ended 30 June 2020

6. Fair value of financial instruments (continued)

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

Valuation process for Level 3 valuations (continued)

Quantitative information of significant unobservable inputs - Level 3:

Description	Level 3 \$*	Valuation technique	Significant unobservable inputs	Range (weighted average)
Unlisted unit trusts	2020: \$277,842,555 2019: \$197,047,932	Discounted cash flow valuation	Discount rate	2020: 4.55%-9.28% (WA: 5.2%-9.05%) 2019: 6.0% - 12.3% (WA: 6.8% - 11.05%)
	2020: \$50,282,441 2019: \$37,503,739	Direct comparison approach	Average EBITDA	2020: 3.3x - 11.6x (WA: 10.34x - 10.61x) 2019: 3.7x - 12.75x (WA: 11.74x)
	2020: \$8,390,824 2019: \$12,166,559	Net asset value based on value of underlying property or investments	Terminal value of the assets	2020: -4.6% / 18.5% 2019: -25% / 25%
	2020: \$36,282,820 2019: \$47,094,323	Net asset value based on value of underlying property or investments.	Discount rate	2020: 6.0% - 6.7% (WA: 6.5%) 2019: 6.8% - 8.8% (WA: 7.2%)

Sensitivity analysis to significant changes in unobversable inputs within Level 3 hierarchy:

Description	Input	Sensitivity used**	Effect on fair value \$
Unlisted unit trusts	Discount rate on cashflow	+ / - 5%	2020: (2,857,937) / 7,842,679 2019: (2,825,768) / 2,974,016
	Average EBITDA	1x	2020: 40,076 / (40,076) 2019: 27,419 / (27,419)
	Terminal value of the assets	+ / - 5%	2020: 1,552,303 / (385,978) 2019: 3,041,638 / (3,041,638)
	Discount rate on net asset value	+ / - 0.5%	2020: (332,573) / 855,039 2019: (1,068,365) / 1,124,610

*The fair value of the asset would increase/decrease if the discount rate increases/decreases. The fair value would increase/decrease if other inputs increase/decrease.

** The sensitivity refers to a percentage amount added or deducted from the input and the effect this has on the fair value.

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Notes to the Financial Statements
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6. Fair value of financial instruments (continued)**Valuation process for Level 3 valuations (continued)****(b) Level 3 reconciliation**

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

30 June 2020

	Unlisted unit trusts \$	TOTAL \$
Opening balance	293,812,553	293,812,553
Total gains / (losses) recognised in the income statement for the period	(5,360,476)	(5,360,476)
Purchases/Applications	103,710,742	103,710,742
Sales/Redemptions	(19,364,179)	(19,364,179)
Closing Balance	372,798,640	372,798,640

30 June 2019

	Unlisted unit trusts \$	TOTAL \$
Opening balance	339,677,855	339,677,855
Total gains / (losses) recognised in the income statement for the period	28,634,729	28,634,729
Purchases/Applications	19,902,249	19,902,249
Sales/Redemptions	(94,402,280)	(94,402,280)
Closing Balance	293,812,553	293,812,553

(c) Transfers Between Hierarchy Levels

Two investments, with AMP Capital \$62,543,541 and Loomis Sayles \$152,242,092 transferred from level 2 to level 1 during the year.

7. Receivables

	2020 \$	2019 \$
Recoverable within 12 months		
GST receivable	87,449	112,927
Prepayments	49,155	73,199
	136,604	186,126

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 18.

8. Property, plant and equipment

	2020 \$	2019 \$
Property, plant and equipment		
Cost	90,582	126,791
Accumulated depreciation and impairment	(8,592)	(36,209)
Net written down value	81,990	90,582
Right of use assets		
Cost	2,108,029	-
Accumulated depreciation and impairment	(242,381)	-
Net written down value	1,865,648	-
Total Net written down value	1,947,638	90,582

Due to the nature of property, plant and equipment, their carrying value is assumed to approximate their fair value.

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9. Payables

	2020 \$	2019 \$
Due within 12 months		
Trade and other creditors	2,611,184	2,418,651
Employee benefit liabilities	401,506	510,608
	<u>3,012,690</u>	<u>2,929,259</u>
Lease liability		
Less than one year	239,695	-
More than one year	1,768,500	-
	<u>2,008,195</u>	<u>-</u>
Total payables	<u><u>5,020,885</u></u>	<u><u>2,929,259</u></u>

Excluding the lease liability 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 18.

10. Changes in assets measured at fair value

	2020 \$	2019 \$
Investments held at reporting date		
Cash, bills and deposits	10,557,723	304,446
Other interest bearing securities	2,738,843	13,880,600
Australian equities	(48,221,000)	19,737,770
International equities	19,105,847	20,143,931
Units in unlisted unit trusts	(31,558,897)	21,892,610
Total unrealised (losses)/gains	<u>(47,377,484)</u>	<u>75,959,357</u>
Investments realised during the year		
Cash, bills and deposits	(11,481,014)	4,730,544
Other interest bearing securities	6,183,450	(5,135,922)
Australian equities	(11,567,991)	(30,241,487)
International equities	(22,292,917)	(10,459,334)
Units in unlisted unit trusts	(5,798,661)	(98,239)
Total realised (losses)/gains	<u>(44,957,133)</u>	<u>(41,204,438)</u>
Changes in assets measured at fair value	<u><u>(92,334,617)</u></u>	<u><u>34,754,919</u></u>

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

11. Reserves

	2020 \$	2019 \$
Operational risk reserve	10,513,898	10,451,297
Other reserves	28,984,762	21,170,406
	<u><u>39,498,660</u></u>	<u><u>31,621,703</u></u>

Operational risk reserve

This reserve is operated in accordance with the Operational Risk Financial Requirement Reserve ("ORFR") Policy that was introduced into the Superannuation Industry (Supervision) Act 1993 ("SIS") from 1 July 2013. The purpose of the reserve is to provide funding for operational risk events where losses may arise relating to the Fund. The level of the reserve is determined by the Board based on an assessment of the risks faced by the Fund.

This reserve is separately set aside within the net assets of the Fund and is invested in cash or cash equivalents, which is in accordance with the investment strategy for the reserve as specified in the ORFR policy.

Transfers in and out of the reserve are made only at the authorisation of the Trustee and in accordance with the Fund's Reserve Policy. During the 2020 financial year there was a transfer out of \$451,375 for an operational risk event and a transfer in of \$425,000 from insurance to replenish the ORFR.

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11. Reserves (continued)

Other reserves

These reserves relate to amounts that the Trustee has put aside to pay for contingent short-term liabilities (less than 12 months) and unplanned expenses which may relate to projects, increased regulatory requirements and other matters as part of the operation of the Fund.

12. Operating expenses

	2020	2019
	\$	\$
Audit and taxation services	326,683	226,086
Trustee liability insurance	113,207	112,949
APRA levies and fees	167,304	155,670
Consulting fees	558,132	378,940
Marketing expenses	94,566	114,382
Trustee expenses	8,079	18,240
Staff wages and related expenses	2,979,196	3,195,207
Legal fees	47,064	96,630
Actuarial services	136,824	83,922
Transition costs	776,801	-
General expenses	443,684	329,639
	<u>5,651,540</u>	<u>4,711,665</u>

13. Auditor's remuneration

	2020	2019
	\$	\$
Amount received or due and receivable by EY:		
Audit of financial reports and compliance	128,546	126,302
	<u>128,546</u>	<u>126,302</u>

14. Income tax

	2020	2019
	\$	\$
(a) Major components of income tax expense for the years ended 30 June:		
Income statement		
<i>Current tax expense</i>		
Current tax (credit) / charge	(2,001,201)	727,064
Adjustments in respect of current income tax of previous years	528,607	526,384
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	9,557,595	(1,976,085)
Total tax benefit / (expense) as reported in the income statement	<u>8,085,001</u>	<u>(722,637)</u>

(b) Reconciliation between income tax expense and the accounting loss before income tax

Loss before income tax	(62,120,488)	(1,097,107)
Income tax at 15%	9,318,073	164,566
Capital (gains)/losses not (assessable)/deductible	(4,380,743)	(129,911)
Non deductible expenses	(496,819)	(369,440)
Net benefits allocated to members' accounts	(2,904,658)	(18,916,766)
Derecognition of temporary differences	(299,955)	93,913
Exempt pension income	299,674	3,081,820
Net imputation and foreign tax credits	6,020,821	14,826,797
Overprovision in the previous year	528,607	526,384
	<u>8,085,001</u>	<u>(722,637)</u>

AVSUPER FUND
Notes to the Financial Statements
For the year ended 30 June 2020

14. Income tax (continued)

(c) Deferred tax

	Opening Balance \$	2020 (Charged) / Credited to income \$	Closing Balance \$
Deferred tax assets			
Unrealised losses on investments	328,962	(328,962)	-
Fund expenses accrued but not incurred	208,430	206,335	414,765
	537,392	(122,627)	414,765
Deferred tax liabilities			
Income receivable	(348,720)	346,422	(2,298)
Unrealised gains on investments	(30,002,368)	9,333,800	(20,668,568)
	(30,351,088)	9,680,222	(20,670,866)
Net deferred tax liability	<u>(29,813,696)</u>	<u>9,557,595</u>	<u>(20,256,101)</u>
	Opening Balance \$	2019 (Charged)/Credited to income \$	Closing Balance \$
Deferred tax assets			
Unrealised losses on investments	1,685,179	(1,356,217)	328,962
Fund expenses accrued but not incurred	173,576	34,854	208,430
	1,858,755	(1,321,363)	537,392
Deferred tax liabilities			
Income receivable	(616,980)	268,260	(348,720)
Unrealised gains on investments	(29,079,386)	(922,982)	(30,002,368)
	(29,696,366)	(654,722)	(30,351,088)
Net deferred tax liability	<u>(27,837,611)</u>	<u>(1,976,085)</u>	<u>(29,813,696)</u>

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

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:

	2020 \$	2019 \$
Cash and cash equivalents	<u>18,219,777</u>	<u>6,533,112</u>
Reconciliation of net cash inflows / (outflows) from operating activities to net loss after income tax		
Net loss after income tax	(54,035,487)	(1,819,744)
Adjustments for:		
Decrease / (increase) in assets measured in fair value	36,312,604	(130,119,618)
Depreciation	19,149	14,629
Increase / (decrease) in insurance liabilities	437,336	(1,317,632)
Decrease / (increase) in receivables	49,521	(39,883)
Increase / (decrease) in payables	225,978	(4,235)
Increase in income tax payable / (receivable)	8,024,078	(1,045,562)
(Decrease) / increase in net deferred tax liability	(9,557,595)	1,976,085
Allocation to members' accounts	19,364,384	126,111,770
Net cash inflows / (outflows) from operating activities	<u>839,968</u>	<u>(6,244,190)</u>

AVSUPER FUND
Notes to the Financial Statements
For the year ended 30 June 2020

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, dividends, gains on the sale of investments and unrealised changes in the value of investments.

17. Related party disclosures

(a) Trustee and key management personnel

The Trustee of the Fund is AvSuper Pty Ltd (ABN 46 050 431 797).

The following are Directors of AvSuper Pty Ltd and key management personnel, who held office during part or all of the year, or who have subsequently held office:

Employer Representatives

Hylton Mathews
 Julie-Anne Schafer
 Geoffrey Burgess

Member Representatives

Michael Farrell
 Ben Firkins (Chairman)
 Stuart Brades

Independent Directors

Lawrence Cox
 Denise Allen
 Stephen Merlicek

The other members of key management personnel are:

Chief Executive Officer	Michelle Wade
Executive Manager - Finance and Risk	Nicholas Smith

(b) Compensation of key management personnel

	2020 \$	2019 \$
Short-term benefits	1,158,671	1,246,513
Long-term benefits	260,379	291,899
Total Compensation	1,419,050	1,538,412

These amounts represent the total remuneration received by the key management personnel for their services in relation to the Fund.

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

A Director was entitled to receive a pension from the Fund.

(c) Employer company

Airservices Australia is the Principal Employer of the Fund. AvSuper Pty Ltd and the Civil Aviation Safety Authority are associate employer entities of the Fund. Contributions to the Fund are disclosed in the Statement of Changes in Member Benefits, and Note 4.

AirServices Australia paid \$3,634 (2019: \$22,484) in management expenses on behalf of the Fund for which it claimed reimbursement.

As at 30 June 2020, the Fund owed \$21,718 to Airservices Australia (2019: \$3,634).

18. Financial risk management objectives and policies

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

(a) Financial instruments management

The investments of the Fund comprise units in unit trusts and investments through managed portfolios with various investment managers.

The Investment Committee, which is a sub-committee of the Trustee Board and reports directly to the Trustee, is responsible for the management of the Fund's financial instruments. The Trustee appointed Frontier Advisors (Frontier) as the Fund's asset consultant to advise on investment issues, including asset allocation, portfolio construction and manager selection and implementation. The asset consultant is required to perform these functions in accordance with the terms of AvSuper's Investment Governance Framework Policy. The Trustee has also retained the services of a number of professional investment managers who have responsibility for investment of the Fund's assets within specified constraints. The Trustee has determined that the appointment of these professional investment managers is appropriate for the Fund and is in accordance with the Trustee's investment strategy.

BNP Paribas Securities Services ("BNP") acts as a master custodian on behalf of the Trustee and as such provides services including physical custody and safekeeping of the assets, settlement of trades, collection of dividends and accounting for investment transactions.

Pacific Custodians Pty Limited is the custodian for the Fund's bank account.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 2 to the financial statements.

(c) Capital risk management

The Trustee has developed a capital management plan in order to meet its obligations as a public offer entity.

The Trustee Board of the Fund has also established an operational risk reserve as identified in Note 11.

(d) Categories of financial instruments

The financial assets and financial liabilities of the Fund are recognised at fair value as at the reporting date. Changes in assets measured at fair value are recognised through the income statement.

(e) Financial risk management objectives

Risks arising from holding financial instruments are inherent in the Fund's activities. The Fund is exposed to credit risk, liquidity risk and market risk, including interest rate, equity price and foreign currency risk. The Trustee has developed risk management and investment policies to minimise the potential adverse effects of these risks on the Fund's financial performance. These policies may include the use of certain financial derivative instruments. The Trustee does not allow the use of derivatives to gear a portfolio. The Trustee expects that, over the long term, the use of these instruments will either enhance or reduce the volatility of returns. Derivatives are managed in accordance with suggested guidelines set down by the Australian Prudential Regulatory Authority ("APRA").

It is the Trustee's responsibility to ensure that there is an effective risk management control framework in place. The Trustee has developed, implemented and maintained a Risk Management Framework ("RMF"). This identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Fund. 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.

AvSuper is committed to effectively integrating climate change risks and opportunities into its investment processes across the Fund and expects its investment managers and advisors to integrate these throughout their investment process. We continue to consider our approach to climate change over time.

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

18. Financial risk management objectives and policies (continued)

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

The maximum exposure at the reporting date is equal to the fair value of these instruments as disclosed in the statement of financial position.

Credit risk arising on investments is mitigated by investing in a wide variety of assets. The Fund does not have any significant exposure to any individual counterparty or industry. In order to achieve diversification, multiple specialist investment managers are employed for asset classes where appropriate. These managers generally invest only in rated companies.

Credit risk is not considered to be significant to the Fund as the underlying investments of the trusts are varied, hence there is no significant concentration of credit risk to counterparties. Credit risk associated with other receivables is considered minimal.

The Fund has exposure of cash held by the master custodian. Term deposits, fixed interest securities and equities invested by the Fund are also custodially held by the master custodian. Credit risk relating to the custodian is mitigated through contract indemnity provisions.

In addition, the Fund has the following investments and receivables which exceed 5% of the net assets available for member benefits:

	2020 \$	2019 \$
Blackrock Cash Fund	242,850,710	246,265,733
MFS Global Equities Trust	134,316,249	145,346,141
Investa Commercial Property	141,356,257	133,225,123
Kapstream Capital *	-	185,706,349
	518,523,216	710,543,346

* Kapstream Capital did not exceed 5% of the net assets available for member benefits this year.

(g) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The risk is controlled through the Fund's investment in financial instruments which, under normal market conditions, are readily convertible to cash.

The Fund has a high level of net inward cash flows from contributions which provides capacity to manage liquidity risk. In addition to the liquidity requirements imposed as a requirement of the RSE license, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements. There is an operational requirement that a minimum cash float of \$6,000,000 be maintained in the Fund's "at call" bank account. This is ensured by continuous daily monitoring of cash flows. Cash flow projections which take into account cash flows to meet liquidity requirements are prepared quarterly by the Administrator based on a reasonable estimate of what is likely to happen over this term. These projections are provided to the Trustee for review.

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.

The Fund's overall strategy for liquidity risk management remains materially unchanged from 2019.

The following table summarises the maturity profile of the Fund's financial liabilities.

	2020 \$	2019 \$
Less than 3 months		
Member liabilities	2,171,816,342	2,179,997,197
Payables	3,075,730	2,929,259
Income tax payable	1,198,685	-
Derivative liabilities*	11,047,082	16,170,772
Total	2,187,137,839	2,199,097,228

*The payment and receipt elements of derivative assets and derivative liabilities on the statement of financial position are disclosed separately. The derivatives for the forward exchange contracts are shown at their net value and the other derivatives are shown at their gross value. From a liquidity perspective, the settlement of these liabilities is significantly offset by the realisation of the derivative assets relating to the receipt element of the derivative arrangement (see derivative assets on the statement of financial position).

AVSUPER FUND

Notes to the Financial Statements
For the year ended 30 June 2020

18. Financial risk management objectives and policies (continued)**(h) Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, exchange rates and equity prices. Market risk is minimised through ensuring that all investments are undertaken in accordance with the Trustee's investment policies. The Fund's overall market positions are monitored via the investment consultant performance report on a quarterly basis and evaluated annually based on rolling three and five year results. There has been no material change to the Fund's exposure to market risks or the manner in which it manages and measures the risk during the 2020 financial year.

Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund's activities expose it to the financial risk of changes in interest rates. Floating rate instruments such as the "at call" bank account expose the Fund to cash flow risk, whereas fixed interest rate instruments, such as the bonds held by the Fund, expose it to fair value interest rate risk.

The Trustee monitors its exposure to interest rate risk and ensures that the returns achieved are in accordance with the individual manager's stated objectives and the objectives of the Fund. Performance of the Fund's fixed interest securities is measured against the Barclays Capital Aggregate Index.

2020	Weighted Average interest rates %	Less than 1 year \$	1-5 Years \$	Over 5 Years \$	Total \$
Non interest bearing	n/a	1,934,354,931	-	-	1,934,354,931
Variable interest rate	0.71	170,745,808	-	-	170,745,808
Fixed interest securities	1.80	91,271,073	87,288,928	132,921,145	311,481,146
Total		2,196,371,812	87,288,928	132,921,145	2,416,581,885

2019	Weighted Average interest rates %	Less than 1 year \$	1-5 Years \$	Over 5 Years \$	Total \$
Non interest bearing	n/a	1,973,125,439	-	-	1,973,125,439
Variable interest rate	1.6	316,112,356	-	-	316,112,356
Fixed interest securities	3.41	7,560,473	52,248,440	136,141,430	195,950,343
Total		2,296,798,268	52,248,440	136,141,430	2,485,188,138

The following illustrates the effect on the Fund's statement of financial position and income statement, from possible changes to interest rates. The Fund considers the percentage change selected below is reasonable given the current level of Australian interest rates.

2020	Change in Interest Rate +/-	Effect on Net Assets/Investment Return \$ +/-
Interest rate risk	0.30%	1,446,681 / (1,446,681)

2019	Change in Interest Rate +/-	Effect on Net Assets/Investment Return \$ +/-
Interest rate risk	0.30%	2,124,039 / (2,124,039)

AVSUPER FUND

Notes to the Financial Statements
For the year ended 30 June 2020

18. Financial risk management objectives and policies (continued)

Currency risk management

Foreign currency risk is the risk that the net market value or future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Fund holds investments in foreign currency, hence the Fund is directly exposed to the effects of exchange rate fluctuations. This exchange rate exposure is managed in line with the Trustee's investment policies. The Trustee uses a partial hedge strategy 50% (2019 : 50%) to manage the currency risk associated with its overseas equity investments. Performance of the overseas equities is monitored against the MSCI All Countries World Index ex Australia, which is considered by the Trustee to be a suitable benchmark for that asset class. The maximum exposure at reporting date is equal to the fair value of the investment as disclosed in the statement of financial position.

The following table sets out the Fund's exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities.

2020	Assets	Liabilities	Forward Foreign Exchange Contracts	Net Exposure
	\$	\$	\$	\$
US Dollars	379,779,246	(2,156,087)	(342,808,333)	34,814,826
Euro	91,106,039	(157,794)	(120,132,320)	(29,184,075)
Japanese Yen	36,440,133	(1,338,526)	(25,178,267)	9,923,340
British Pound	14,726,913	-	(22,168,599)	(7,441,686)
Other Currencies	60,180,667	(1,841,494)	(65,424,657)	(7,085,484)

2019	Assets	Liabilities	Forward Foreign Exchange Contracts	Net Exposure
	\$	\$	\$	\$
US Dollars	356,692,073	(9,483,053)	(329,129,411)	18,079,609
Euro	103,807,893	(191,250)	(127,521,242)	(23,904,599)
Japanese Yen	40,186,783	(24,534)	(37,418,318)	2,743,931
British Pound	24,817,838	-	(32,358,054)	(7,540,216)
Other Currencies	77,225,725	(54,759)	(49,862,916)	27,308,050

The following table details the Fund's sensitivity to a 5% or 10% increase/(decrease) in the Australian dollar against the foreign currencies (i.e. 5% on US, Japanese and other foreign currencies and 10% on Euro and British Pound). The sensitivity rates on foreign currencies have been selected as these are considered reasonable given the currency exposure level and the volatility of exchange rates observed on both a historical basis and market expectations for future movement.

2020	Changes in Foreign Currency Rate	Effect on Net Assets/Investment Returns
	+/-	\$ +/-
US Dollars	5%	(1,740,741) / 1,740,741
Euro	10%	2,918,407 / (2,918,407)
Japanese Yen	5%	(496,167) / 496,167
British Pound	10%	744,169 / (744,169)
Other Currencies	5%	(354,274) / 354,274
2019	Changes in Foreign Currency Rate	Effect on Net Assets/Investment Returns
	+/-	\$ +/-
US Dollars	5%	(903,980) / 903,980
Euro	10%	2,390,460 / (2,390,460)
Japanese Yen	5%	(137,197) / 137,197
British Pound	10%	754,022 / (754,022)
Other Currencies	5%	(1,365,402) / 1,365,402

18. Financial risk management objectives and policies (continued)

(h) Market risk (continued)

Other market risk

Other market risk is the risk that the fair value of investments decreases as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual stock or factors affecting all instruments traded in the market. Market price risk exposure arises from the Fund's investment portfolio.

As the Fund's financial instruments are carried at fair value with changes in assets measured at fair value recognised in the income statement, all changes in market conditions will directly affect net income.

Market price risk is mitigated by constructing a diversified portfolio of investments traded on various markets in accordance with the Trustee's risk management and investment policies. Performance is measured against suitable indices such as the S&P/ASX Accumulation Index.

The following table illustrates the effect on the statement of financial position and income statement due to reasonably possible changes in market risk based on the risk the Fund was exposed to at the reporting date.

2020	Changes in Price Risk Rate	Effect on Net Assets/Investment Return
	+/-	+/-
Price risk	10%	191,629,768 / (191,629,768)
2019	Changes in Price Risk Rate	Effect on Net Assets/Investment Return
	+/-	+/-
Price risk	10%	178,192,700 / (178,192,700)

19. Insurance

The Fund provides death and disability benefits to members. These benefits are greater than the members' vested benefits and as such the Trustee has a group policy in place with a third party to insure death and disability benefits in excess of vested benefits. The Trustee acts as an agent for these arrangements.

20. Commitments and contingent liabilities

As at 30 June 2020, the Fund had commitments of \$204 million (2019: \$283 million) in respect of uncalled elements of its investments. Time bands cannot be placed on those commitments, as it is difficult to predict the exact timing and pace of capital calls for any commitment based investment.

21. Controlled entities

Name of Entity	Country of	2020 Ownership	2019 Ownership
Martin Currie Global Emerging Markets Fund	Australia	76%	86%

The Fund has adopted AASB 2013-5 "Amendments to Australian Accounting Standards – Investment Entities". As a result, the Fund does not consolidate its controlled entity, the Martin Currie Global Emerging Markets Fund; however, it is required to provide certain disclosures, as outlined above.

22. Significant events after balance date

As the impact of COVID-19 continues, there is heightened uncertainty in terms of the severity and duration of economic recession and volatility in the investment markets, early withdrawal benefits cost, and business disruption. The Fund will continue to manage and respond to these risks presented and importantly support our members.

Since 30 June 2020 there have been no other matters or circumstances which have arisen that have significantly affected or may significantly affect the financial position or operating results of the Fund.

**AVSUPER FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
TRUSTEE DECLARATION**

In the opinion of the Trustee of the Fund:

- (i) The accompanying financial statements are drawn up so as to present fairly the financial position of the Fund as at 30 June 2020 and the results of its operations and cash flows for the year then ended; and
- (ii) The operation of the Fund has been carried out in accordance with its Trust Deed, as amended and in compliance with the requirements of the Superannuation Industry (Supervision) Act 1993, Regulations and the Guidelines issued by the Australian Prudential Regulation Authority and the Corporations Act 2001 and Regulations and Guidelines, during the year ended 30 June 2020; and
- (iii) The financial statements have been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements and the provisions of the Trust Deed, as amended.

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

Signed at ~~Gemena~~ ^{Perth} this 16th day of SEPTEMBER 2020



Director



Director

Part 1 - Independent Auditor's report on financial statements

AvSuper Fund
ABN 84 421 446 069

Report by the RSE Auditor to the Trustee and members

Opinion

I have audited the financial statements of AvSuper Fund for the year ended 30 June 2020 comprising the statement of financial position, income statement, statement of changes in member benefits, statement of cash flows and statement of changes in reserves.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of AvSuper as at 30 June 2020 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2020.

Basis for Opinion

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

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

Emphasis of Matter: Impact of the Coronavirus (COVID-19) Outbreak on Valuation of Unlisted Investment

We draw attention to Note 6 (a) of the financial statements which describes the impact of the COVID-19 pandemic on the determination of the fair value of unlisted equity, property and infrastructure investment exposures and how this has been considered by the Trustee in the preparation of the financial statements. Due to the increased valuation uncertainty, fair value may change significantly and unexpectedly over a relatively short period of time. Our opinion is not modified in respect of this matter.

Responsibilities of the Trustee for the Financial Statements

The RSE's Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The Trustee is also responsible for such internal control as the Trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

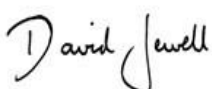
In preparing the financial statements, the Trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



David Jewell
Partner

Ernst & Young
Sydney
16 September 2020



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working world**

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Part 2 - Independent Auditor's Reasonable Assurance report on APRA reporting forms and on compliance

(A) APRA reporting forms required under reporting standards (SPS 310, Attachment A)

Independent auditor's reasonable assurance report to the Trustee of AvSuper Fund ABN 84 421 446 069 on forms required under APRA reporting standards.

Opinion

I have conducted a reasonable assurance engagement on the following APRA reporting forms:

SRF 114.1	Operational Risk Financial Requirement;
SRF 320.0	Statement of Financial Position;
SRF 330.0	Statement of Financial Performance;
SRF 530.0	Investments;
SRF 531.0	Investment Flows;

of AvSuper Fund, which comprise part of the information required by the APRA reporting standards for the year ended 30 June 2020.

In my opinion:

- a) the relevant forms are prepared in all material respects in accordance with the requirements of the APRA reporting standards, the financial position of AvSuper Fund as at 30 June 2020 and its performance for the year then ended, as reflected in the RSE's financial statements signed on 16 September 2020 or accounting records with regard to other information that was not directly derived from the financial statements; and
- b) the Trustee of AvSuper Fund has complied in all material respects with the reporting requirements of the APRA reporting standards pertaining to the preparation of the APRA reporting forms.

I have also audited the financial statements of AvSuper Fund for the year ended 30 June 2020. My opinion on the financial statements was signed on 16 September 2020, and was not modified.

Basis for Opinion

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

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

Responsibilities of the Trustee for forms required by APRA reporting standards

The RSE's Trustee is responsible for the preparation and lodgement of the forms (APRA reporting forms) required by reporting standards made under the *Financial Sector (Collection of Data) Act 2001*, as listed in Attachment A to *Prudential Standard SPS 310 Audit and Related Matters* (APRA reporting standards) and for such internal controls as the Trustee determines to be necessary to enable the preparation of the APRA reporting forms free from material misstatement, whether due to fraud or error.

In preparing the APRA reporting forms, the Trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the RSE or to cease operations, or has no realistic alternative but to do so.

The APRA reporting forms have been prepared for the purposes of fulfilling the Trustee's reporting requirements under the APRA reporting standards.

Auditor's Responsibilities for forms required by APRA reporting standards

My objectives are to obtain reasonable assurance on whether the APRA reporting forms required by the APRA reporting standards are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that a reasonable assurance engagement 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 these APRA reporting forms.

As part of a reasonable assurance engagement in accordance with the Australian Auditing Standards, I exercised professional judgment and maintained professional scepticism throughout the reasonable assurance engagement. I also:

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

- Communicated with the trustee regarding, among other matters, the planned scope and timing of the reasonable assurance engagement and significant findings, including any significant deficiencies in internal control that I identified during my reasonable assurance engagement.

Other Matter - Restriction on use and distribution

This report has been prepared solely for the Trustee in order to meet the APRA reporting requirements of the Trustee. This report is intended solely for the Trustee and APRA (and ASIC where applicable), and should not be distributed to or used by parties other than the Trustee and APRA (and ASIC where applicable). I disclaim any assumption of responsibility for any reliance on this report, or the APRA reporting forms to which it relates, to any party other than the Trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.



David Jewell
Partner

Ernst & Young
Sydney

16 September 2020

(B) Compliance

Independent Assurance Practitioner's report to the Trustee of AvSuper Fund ABN 84 421 446 069

Opinion

I have performed a reasonable assurance engagement in relation to the Trustee's compliance with applicable provisions under the *Superannuation Industry (Supervision) Act 1993* (SIS Act), *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations), APRA reporting standards, *Corporations Act 2001* (Corporations Act) and *Corporations Regulations 2001* (Corporations Regulations) for the year ended 30 June 2020.

(a) SIS Act Sections (to the extent applicable): 29VA, 35A, 65, 66, 67, 95, 97, 98, 99F, 101, 105, 106, 109, 117, 154 and 155(2);

(b) SIS Regulations (to the extent applicable): 3.10, 5.08, 6.17, 7.04, 7.05, 9.09, 9.14, 13.14, 13.17, 13.17A;

(c) The APRA reporting standards that are subject to reasonable assurance (to the extent applicable);

(d) Corporations Act Sections (to the extent applicable): 1012B, 1012F, 1012H(2), 1012I, 1013B, 1013D, 1013K(1), 1013K(2), 1016A(2), 1016A(3), 1017B(1), 1017B(5), 1017BA, 1017C(2), 1017C(3), 1017C(5), 1017C(8), 1017D(1), 1017D(3), 1017D(3A), 1017DA(3), 1017E(2), 1017E(3), 1017E(4), 1020E(8) and 1020E(9);

(e) Corporations Regulations (to the extent applicable): 7.9.07Q-7.9.07W, 7.9.11K, 7.9.11N, 7.9.11O, 7.9.11P, 7.9.11Q, 7.9.32(3), 7.9.48B, 7.9.48C and 7.9.48D.

My procedures with respect to SIS Regulation 6.17 included testing whether amounts identified by the Trustee as preserved and restricted non-preserved have been cashed or transferred only in accordance with the requirements of Part 6 of the SIS Regulations. These procedures did not include testing of the calculation of the preserved and restricted non-preserved amounts beyond a broad assessment of the apparent reasonableness of the calculations

In my opinion the Trustee of AvSuper Fund has complied, in all material respects with:

- a) The requirements of the applicable SIS Act and SIS Regulations, APRA reporting standards, Corporations Act and Corporations Regulations specified above for the year ended 30 June 2020; and
- b) The requirement to maintain an operational risk reserve at the required target amount in accordance with its ORFR strategy.

Basis for Opinion

I conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board.

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

Trustee's responsibility for compliance

The RSE's Trustee is responsible for complying with the requirements of the SIS Act, SIS Regulations, APRA reporting standards, the Corporations Act and Corporations Regulations and the conditions of its RSE licence.

The RSE's Trustee is responsible for identifying, designing and implementing controls to enable compliance with the requirements of the SIS Act, SIS Regulations, APRA reporting standards, the Corporations Act and Corporations Regulations and the conditions of its RSE licence and to monitor ongoing compliance.

The Trustee is responsible, under *Prudential Standard SPS 114 Operational Risk Financial Requirement* (SPS 114), for maintaining financial resources at the required target amount in accordance with its Operational Risk Financial Requirement (ORFR) strategy. The financial resources held to meet the ORFR target amount must be held either as:

- (a) an operational risk reserve held within an RSE;
- (b) operational risk trustee capital held by the RSE licensee; or
- (c) a combination of both an operational risk reserve held within an RSE and operational risk trustee capital held by the RSE licensee.

Independence and Quality Control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and my firm applies Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Independent Assurance Practitioner's responsibilities

My responsibility is to express an opinion on the Trustee's compliance in all material respects with the requirements of the SIS Act, SIS Regulations, APRA reporting standards, Corporations Act and Corporations Regulations based on the reasonable assurance engagement. My reasonable assurance engagement has been conducted in accordance with ASAE 3100 Compliance Engagements. This Standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance whether the Trustee of AvSuper Fund has, in all material respects complied with the provisions listed in Section B 'Compliance' (to the extent applicable) for the year ended 30 June 2020.

My responsibility is also to express an opinion on the Trustee's compliance with their ORFR strategy with respect to maintaining an operational risk reserve at the required target amount for the year ended 30 June 2020.

My procedures in relation to SIS Section 155(2) included assessing the Trustee's controls in place to monitor compliance with Section 155(2). These procedures did not include testing the Trustee's methodology used to calculate the issue or redemption price.

Inherent limitations

Due to the inherent limitations of any evidence gathering procedures and the internal control framework, it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non-compliance with the applicable SIS Act and SIS Regulations, APRA reporting standards, Corporations Act and Corporations

Regulations specified above, as a reasonable assurance engagement is not performed continuously throughout the year and the procedures performed in respect of compliance with the applicable SIS Act and SIS Regulations, APRA reporting standards, Corporations Act and Corporations Regulations specified above are undertaken on a test basis.

Other Matter - Restriction on use and distribution

This report has been prepared solely for the Trustee in order to meet the APRA reporting requirements of the Trustee. This report is intended solely for the Trustee and APRA (and ASIC where applicable), and should not be distributed to or used by parties other than the Trustee and APRA (and ASIC where applicable). I disclaim any assumption of responsibility for any reliance on this report to any party other than the Trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.



David Jewell
Partner

Ernst & Young
Sydney

16 September 2020



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Part 3 - Independent Auditor's Limited Assurance report on APRA reporting forms and on controls and compliance

(A) APRA reporting forms required under reporting standards (SPS 310, Attachment A)

Independent auditor's limited assurance report to the Trustee of AvSuper Fund ABN 84 421 446 069 on forms required under APRA reporting standards.

Conclusion

I have conducted a limited assurance engagement on the following APRA reporting forms:

SRF 330.2	Statement of Financial Performance;
SRF 533.0	Asset Allocation;
SRF 540.0	Fees;
SRF 702.0	Investment Performance; and
SRF 703.0	Fees Disclosed.

of AvSuper Fund, which comprise part of the information required by the APRA reporting standards for the year ended 30 June 2020.

Based on my limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to my attention that causes me to believe that the APRA reporting forms of AvSuper Fund for the year ended 30 June 2020 are not prepared, in all material respects, in accordance with the APRA reporting standards.

Basis for Conclusion

I have conducted a limited assurance engagement, in accordance with the standard, ASRE 2405 *Review of Historical Financial Information Other than a Financial Report* (ASRE 2405) issued by AUASB, in order to state whether, on the basis of the procedures described, anything has come to my attention that causes me to believe that the relevant forms are not prepared, in all material respects, in accordance with the APRA reporting standards.

ASRE 2405 requires me to comply with the relevant professional and ethical requirements of the Standards issued by the Accounting Professional and Ethical Standards Board.

Other Matter - Restriction on use and distribution

This report has been prepared solely for the Trustee in order to meet the APRA reporting requirements of the Trustee. This report is intended solely for the Trustee and APRA (and ASIC where applicable) and should not be distributed to or used by parties other than the Trustee and APRA (and ASIC where applicable). I disclaim any assumption of responsibility for any reliance on this report, or the APRA reporting forms to which it relates, to any party other than the Trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.

Responsibilities of the Trustee for forms required by APRA reporting standards

The RSE's Trustee is responsible for the preparation and lodgement of the forms (APRA reporting forms) required by reporting standards, made under the *Financial Sector (Collection of Data) Act 2001*, as listed in Attachment A to *Prudential Standard SPS 310 Audit and Related Matters* (APRA reporting standards) and for such internal controls as the Trustee determines to be necessary to enable the preparation of the APRA forms free from material misstatement, whether due to fraud or error. The APRA reporting forms have been prepared for the purposes of fulfilling the Trustee's reporting requirements under the APRA reporting standards.

Auditor's Responsibilities for limited assurance on forms required by APRA reporting standards

My responsibility is to express a conclusion, based on my limited assurance engagement, on the APRA reporting forms.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for the relevant forms, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain assurance that I would become aware of all material matters that might be identified in a reasonable assurance engagement. Accordingly, I do not express a reasonable assurance opinion.



David Jewell
Partner

Ernst & Young
Sydney

16 September 2020

(B) Controls and Compliance

**Independent Assurance Practitioner's Limited Assurance report to the Trustee of AvSuper Fund
ABN 84 421 446 069.**

Conclusion

I have performed a limited assurance engagement under the reporting requirements specified in Australian Prudential Regulation Authority (APRA) *Prudential Standard SPS 310 Audit and Related Matters* (SPS 310), as described in the Scope section, paragraphs *Part A to Part C*, of this report.

Part A - the Trustee's systems, procedures and internal controls are designed to ensure that the Trustee has complied with all applicable prudential requirements

Based on the procedures I performed and evidence I obtained, nothing has come to my attention that causes me to believe that, in all material respects, the Trustee did not have in place suitably designed systems, procedures and controls that operated effectively throughout the year ended 30 June 2020 to address compliance with all applicable Prudential Requirements.

Part B - the Trustee's systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards

Based on the procedures I performed and evidence I obtained, nothing has come to my attention that causes me to believe that, in all material respects, the Trustee did not have in place suitably designed systems, procedures and controls that operated effectively throughout the year ended 30 June 2020 to provide reliable data to APRA as required under the APRA reporting standards.

Part C - Compliance with the RMF

Based on the procedures I performed and evidence I obtained, nothing has come to my attention that causes me to believe that, in all material respects, for the year ended 30 June 2020, the Trustee did not comply with its RMF.

Basis for Conclusion

I conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* and 3150 *Assurance Engagements on Controls* issued by the Auditing and Assurance Standards Board.

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

Other Matter - Restriction on use and distribution

This report has been prepared solely for the Trustee in order to meet the APRA reporting requirements of the Trustee. This report is intended solely for the Trustee and APRA (and ASIC where applicable) and should not be distributed to or used by parties other than the Trustee and APRA (and ASIC where applicable). I disclaim any assumption of responsibility for any reliance on this report to any party other than the Trustee and APRA (and ASIC where applicable), or for any purpose other than that for which it was prepared.

Trustee's responsibility for controls and compliance

The Trustee of AvSuper Fund is responsible for:

- (a) the Trustee's systems, procedures and internal controls that are designed to ensure that the Trustee has complied with all applicable prudential requirements, to provide reliable data to APRA as required by the APRA reporting standards, and has operated effectively throughout the year ended 30 June 2020;
- (b) the Trustee's compliance with its risk management framework, including identification and implementation of controls which will mitigate those risks that prevent the compliance requirements identified above being met and monitor ongoing compliance.

Independence and Quality Control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and my firm applies Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Independent Assurance Practitioner's responsibilities

My responsibility is to perform a limited assurance engagement as required by SPS 310, described in Scope paragraphs *Part A to Part C* of this report, and to express a limited assurance conclusion based on the procedures I have performed and the evidence I have obtained.

My limited assurance engagement has been conducted in accordance with applicable AUASB Standards on Assurance Engagements, including ASAE 3100 *Compliance Engagements* and ASAE 3150 *Assurance Engagements on Controls*, in order to express a limited assurance conclusion as described in Scope paragraphs *Part A to Part C* of this report. I have complied with the independence and other relevant ethical requirements relating to a limited assurance engagement.

The procedures I performed were based on my professional judgment and included enquiries of the Trustee personnel and observation of material control procedures performed, inspection of documents, walk-throughs of material control procedures and evaluating the effectiveness of material control procedures throughout the year.

My reasonable and limited assurance engagements on the APRA reporting forms required under SPS 310 are directed towards obtaining sufficient appropriate evidence to form an opinion and conclusion under the appropriate prudential requirements. These procedures were not designed to enable me to conclude on other matters required by the APRA Prudential Standards. I have therefore performed assurance procedures in order to meet my responsibilities in relation to the design and operating effectiveness of material controls and compliance with specific requirements under the prudential requirements.

Inherent Limitations

A limited assurance engagement is substantially less in scope as the procedures performed vary in nature and timing from a reasonable assurance engagement conducted in accordance with AUASB Standards on Assurance Engagements. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Due to the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved and so fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the controls that we have assured operate, has not been assured and no opinion is expressed as to its design or operating effectiveness.

Furthermore, projections of any evaluation of internal control procedures or compliance measures to future periods are subject to the risk that control procedures may become inadequate because of changes in conditions, or that the degree of compliance may deteriorate. Consequently, there are inherent limitations on the level of assurance that can be provided.

Accounting records and data relied on for prudential reporting and compliance are not continuously audited and do not necessarily reflect accounting adjustments necessary for end of reporting period financial report preparation, or events occurring after the end of the reporting period.

The conclusions expressed in this report are to be read in the context of the foregoing comments.

Scope

Part A - the Trustee's systems, procedures and internal controls are designed and operate effectively to ensure that the Trustee has complied with all applicable prudential requirements

The procedures I performed during the year ended 30 June 2020 were considered necessary in relation to the Trustee's systems, procedures and controls that address compliance with all applicable Prudential Requirements. Prudential Requirements include requirements imposed by:

- (a) APRA Prudential Standards;
- (b) APRA reporting standards;
- (c) SIS Act and SIS Regulations;
- (d) APRA conditions on the Trustee's licence or authorisation;
- (e) Directions issued by APRA under the *SIS Act 1993*; and
- (f) Other requirements imposed by APRA in writing (if applicable).

Through enquiries, observation and walk-throughs of material control procedures, the evidence I obtained is sufficient and appropriate to provide a basis for my conclusion.

Part B - the Trustee's systems, procedures and internal controls provided reliable data to APRA as required under the APRA reporting standards

The procedures I performed were considered necessary in relation to the Trustee's systems, procedures and controls, for the year ended 30 June 2020, to ensure that, in all material respects, reliable data is provided, as required by the APRA reporting standards.

Through enquiries, observation and walk-throughs of material control procedures, the evidence I obtained is sufficient and appropriate to provide a basis for my conclusion.

Part C - Compliance with the Risk Management Framework (RMF)

The procedures I have performed were considered necessary in relation to the Trustee's compliance, in all material respects, with its RMF as defined in *Prudential Standard SPS 220 Risk Management* (SPS 220) for the year ended 30 June 2020.

Through enquiry, observation and inspection of documents, the evidence I obtained is sufficient and appropriate to provide a basis for my conclusion.



David Jewell
Partner

Ernst & Young
Sydney

16 September 2020