AVSUPER FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

AVSUPER FUND
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AVSUPER FUND
Statement of Financial Position
As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Cash and cash equivalents	15	6,585,963	5,160,888
Receivables	7	130,856	116,545
Investments			
Cash, bills and deposits		333,499,343	332,838,698
Other interest bearing securities	6	195,488,784	206,176,005
Australian equities	6	479,473,717	485,065,283
International equities	6	618,529,494	641,907,259
Units in unlisted unit trusts	6	697,591,761	698,805,007
Derivative assets	6	906,088	173,236
Property, plant and equipment	8	1,417,618	1,632,681
Income tax receivable		2,472,286	4,103,636
Deferred tax assets	14	261,374	16,500
Total assets		2,336,357,284	2,375,995,738
Liabilities			
Payables	9	(3,103,948)	(3,690,340)
Derivative liabilities	6	(8,829,423)	(29,026,119)
Deferred tax liabilities	14	(29,228,585)	(16,776,777)
Total liabilities excluding member benefits		(41,161,956)	(49,493,236)
Net assets available for member benefits		2,295,195,328	2,326,502,502
Member benefits			
Defined contribution member liabilities	3	(1,669,626,372)	(1,599,954,487)
Defined benefit member liabilities	4	(485,188,634)	(486,105,209)
Unallocated to members	3	(15,769)	(11,634)
Total member liabilities		(2,154,830,775)	(2,086,071,330)
Net assets		**140,364,553**	**240,431,172**
Equity			
Operational risk reserve	11	5,769,600	8,800,003
Other reserves	11	16,003,483	17,276,696
Defined benefits that are overfunded	5	118,591,470	214,354,473
Total equity		**140,364,553**	**240,431,172**

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 2023

	Note	2023 $	2022 $
Superannuation activities			
Interest from cash and cash equivalents		269,501	7,709
Interest from investments		10,076,503	4,469,201
Dividend revenue		22,113,872	36,728,865
Distributions from unit trusts		49,777,917	87,413,539
Changes in investments measured at fair value	10	115,158,931	(226,384,505)
Other investment income		1,487,836	1,963,931
Other income		226,514	130,159
Total superannuation activities income / (loss)		**199,111,074**	**(95,671,101)**
Investment expenses		(9,647,130)	(14,314,956)
Administration expenses		(648,333)	(1,233,640)
Operating expenses	12	(4,775,289)	(5,261,341)
Total expenses		**(15,070,752)**	**(20,809,937)**
Net result from superannuation activities		**184,040,322**	**(116,481,038)**
Profit / (Loss) from operating activities		**184,040,322**	**(116,481,038)**
Net benefits allocated to defined contribution member accounts		(153,252,571)	58,442,049
Net change in defined benefit member liabilities		(25,158,493)	8,133,791
Operating result		**5,629,258**	**(49,905,198)**
Income tax (expense) / benefit	14	(6,698,685)	20,859,750
Loss after income tax		**(1,069,427)**	**(29,045,448)**
Principal employer defined benefit surplus repatriation	5	(77,506,352)	-
Loss after Distributions		**(78,575,779)**	**(29,045,448)**

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

AVSUPER FUND
Statement of Changes in Member Benefits
For the year ended 30 June 2023

	Note	DC Members $	DB Members $	Total $
Opening balance as at 1 July 2022		1,599,966,121	486,105,209	2,086,071,330
Employer contributions		45,712,525	1,094,213	46,806,738
Member contributions		9,948,074	6,780,089	16,728,163
Transfers from other superannuation plans		10,016,365	-	10,016,365
Government co-contributions		13,039	-	13,039
Income tax on contributions		(6,873,314)	(939,382)	(7,812,696)
Net after tax contributions		**58,816,689**	**6,934,920**	**65,751,609**
Benefits paid to members/beneficiaries		(189,720,900)	(7,935,431)	(197,656,331)
Transfers from defined benefit to defined contribution accounts		46,065,489	(46,065,489)	-
Insurance premiums charged to members' accounts		(2,574,410)	(499,908)	(3,074,318)
Death and disability insurance benefits credited to members' accounts		3,836,581	-	3,836,581
Benefits allocated to members' accounts, comprising:				
Net investment income		152,692,460	25,194,795	177,887,255
Administration fees		560,111	(36,302)	523,809
Net change in defined benefit member benefits		-	21,490,840	21,490,840
Closing balance as at 30 June 2023	3 & 4	**1,669,642,141**	**485,188,634**	**2,154,830,775**

	Note	DC Members $	DB Members $	Total $
Opening balance as at 1 July 2021		**1,786,070,031**	**641,214,233**	**2,427,284,264**
Employer contributions		46,322,514	2,464,069	48,786,583
Member contributions		21,577,213	7,420,307	28,997,520
Transfers from other superannuation plans		11,857,565	-	11,857,565
Government co-contributions		18,736	-	18,736
Income tax on contributions		(7,066,319)	(1,277,911)	(8,344,230)
Net after tax contributions		**72,709,709**	**8,606,465**	**81,316,174**
Benefits paid to members/beneficiaries		(355,325,159)	(1,073,998)	(356,399,157)
Transfers from defined benefit to defined contribution accounts		155,109,497	(155,109,497)	-
Insurance premiums charged to members' accounts		(2,181,687)	(472,674)	(2,654,361)
Death and disability insurance benefits credited to members' accounts		2,025,779	-	2,025,779
Benefits allocated to members' accounts, comprising:				
Net investment income		(58,136,108)	(8,061,988)	(66,198,096)
Administration fees		(305,941)	(71,803)	(377,744)
Net change in defined benefit member benefits		-	1,074,471	1,074,471
Closing balance as at 30 June 2022	3 & 4	**1,599,966,121**	**486,105,209**	**2,086,071,330**

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 2023

	Note	Defined benefits that are overfunded $	Operational risk reserve $	Other reserves $
Opening balance as at 1 July 2022		214,354,473	8,800,003	17,276,696
Release from operational risk reserve	11	-	(3,270,143)	3,270,143
Principal employer defined benefit surplus repatriation	5	(77,506,352)	-	-
Decrease in defined benefit member liabilities		(46,649,333)	-	-
Operating result		28,392,682	239,740	(4,543,356)
Closing balance as at 30 June 2023		**118,591,470**	**5,769,600**	**16,003,483**

	Note	Total equity $
Opening balance as at 1 July 2022		**240,431,172**
Release from operational risk reserve		-
Principal employer defined benefit surplus repatriation	5	(77,506,352)
Decrease in defined benefit member liabilities		(46,649,333)
Operating result		24,089,066
Closing balance as at 30 June 2023	5 & 11	**140,364,553**

	Note	Defined benefits that are overfunded $	Operational risk reserve $	Other reserves $
Opening balance as at 1 July 2021		213,835,302	10,534,511	46,181,278
Decrease in defined benefit member liabilities		7,059,320	-	-
Release from operational risk reserve		-	(1,746,122)	1,746,122
Operating result		(6,540,149)	11,614	(30,650,704)
Closing balance as at 30 June 2022		**214,354,473**	**8,800,003**	**17,276,696**

	Note	Total equity $
Opening balance as at 1 July 2021		270,551,091
Increase in defined benefit member liabilities		7,059,320
Operating result		(37,179,239)
Closing balance as at 30 June 2022	5 & 11	**240,431,172**

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 2023

	Note	2023 $	2022 $
Net cash inflows / (outflows)			
Interest from cash and cash equivalents		269,501	7,709
Insurance proceeds		3,836,581	2,025,779
Other general administration expenses		(5,628,134)	(5,467,824)
Insurance premiums		(2,830,208)	(2,654,142)
Net income tax received / (paid)		7,139,600	(18,285,780)
Net cash inflows / (outflows) from operating activities	15	2,787,340	(24,374,258)
Cash flows from investing activities			
Net redemption of investments		208,049,096	297,295,639
(Purchase) of fixed assets		(287)	(26,158)
Net cash inflows from investing activities		208,048,809	297,269,481
Cash flows from financing activities			
Employer contributions		46,806,738	48,786,583
Member contributions		16,728,163	28,997,520
Transfers from other superannuation plans		10,016,365	11,857,565
Government co-contributions		13,039	18,736
Benefits paid to members/beneficiaries	5	(197,656,331)	(356,399,157)
Principal employer defined benefit surplus repatriation		(77,506,352)	-
Income tax paid on contributions		(7,812,696)	(8,344,230)
Net cash outflows from financing activities		(209,411,074)	(275,082,983)
Net increase / (decrease) in cash		1,425,075	(2,187,760)
Cash at the beginning of the financial period		5,160,888	7,348,648
Cash at the end of the financial period	15	**6,585,963**	**5,160,888**

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 2023

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 Mercer Administration Services (Australia) Pty Ltd.

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 have been prepared on a going concern basis. A non-binding Heads of Agreement was signed with the Australian Retirement Trust (ART) on 24 August 2023 with a view to AvSuper executing a Successor Fund Transfer to ART which, if it were to go ahead, would most likely take place in the June quarter of 2024. In the event that the directors were to assess that the Fund was no longer a going concern, there would be no significant impact on the presentation of the financial statements or the carrying value of the assets and liabilities of the Fund because the majority are recognised at their fair value.

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

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 12 September 2023.

(b) New accounting standards and interpretations

The Fund has adopted all standards, interpretations or amendments that became effective during the year. There was no material effect on the financial statements.

Accounting Standards and Interpretations issued but not yet effective
Certain Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and have not been adopted by the Fund for the annual reporting period ended 30 June 2023. The impact of these standards and interpretations has been assessed and to the extent applicable to the Fund are not expected to have a material effect on the financial statements.

The Treasury Laws Amendment (2022 Measures No 4) Act 2023 was enacted during the year. This Act is effective on or after 1 July 2023 and brings registrable superannuation entities such as the Fund into the financial reporting provisions of the Corporations Act 2001. Accordingly, for all financial periods ending after 1 July 2023, the Fund will be required to prepare an annual report consisting of a financial report, a directors' report (including a remuneration report) with an auditor's report and an auditor's independence declaration attached.

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.

2. Summary of significant accounting policies (continued)

(c) Consolidation

The Fund is an investment entity and, as such, does not consolidate the entities it controls. Refer to Note 2(p) for further details.

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

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

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.

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 is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

(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 which approximates fair value.

2. Summary of significant accounting policies (continued)

(i) Revenue recognition

The specific recognition criteria described below must 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.

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 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.

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.

2. Summary of significant accounting policies (continued)

(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. This valuation equates to fair value.

The lease terms determined by the Fund comprises the 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. This valuation equates to fair value.

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 2022 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 daily.

At 30 June 2023 $15,769 (2022: $11,634) 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 10.5% (2022: 10%) superannuation guarantee contributions for accumulation members.

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

	2023 $	2022 $
Defined contribution members liability at end of the financial year	1,669,626,372	1,599,954,487

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): 5.7% p.a. (2022: 5.3% p.a.)
- The future rate of salary growth: 5.1% p.a. (2022: 4.8% 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.

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 $'000
Real Rate of Return	2023:	0.50%	+0.5%	(19,318)
(Investment Return - Salary Increase Rate)			-0.5%	20,478
	2022:	0.50%	+0.5%	(20,449)
			-0.5%	21,885

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% (2022: 0%) of gross salaries for Full members and at the rate of 3% (2022: 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 10.5% 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 2023 (2022: Nil).

5. Defined benefits that are overfunded

	2023 $	2022 $
AvSuper Fund defined benefit plan excess of assets over the value of liabilities	118,591,470	214,354,473

The Fund remains in surplus.

Airservices Australia commenced a Contributions holiday from 1 July 2018. During the year Airservices Australia repatriated $77,506,352 of the surplus assets above 120% of the Vested Benefit Index as agreed with the principal employer and the Trustee consistent with the Trust Deed.This is disclosed as a distribution in the Income Statement, in the Statement of Cash Flows and in the Statement of Changes in Reserves. This does not impact benefits vested to defined benefit members.

AVSUPER FUND
Notes to the Financial Statements
For the year ended 30 June 2023

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 2023			
	Level 1 $	Level 2 $	Level 3 $	Total $
Other interest bearing securities	195,488,784	-	-	195,488,784
Australian equities				
Listed equity securities	479,053,717	420,000	-	479,473,717
International equities				
Listed equity securities	618,529,494	-	-	618,529,494
Unlisted unit trusts				
Yield Plus Infrastructure Property Fund	-	-	6,983,309	6,983,309
Investa Commercial Property Fund	-	-	147,682,126	147,682,126
GPT Wholesale Shopping Centre Fund	-	-	39,234,225	39,234,225
Kapstream Capital Fund	-	44,633,913	-	44,633,913
Bentham Syndicate Fund	-	46,741,127	-	46,741,127
SG Distressed Opp Fund IV	-	-	6,958,521	6,958,521
HayFin Direct Lending Fund	-	-	97,028	97,028
Partners Group Direct Equities Fund	-	-	26,738,963	26,738,963
HayFin Direct Lending Fund II	-	-	11,445,091	11,445,091
Coller International Fund VI	-	-	4,218,014	4,218,014
QIC Global Infrastructure Fund	-	-	71,801,169	71,801,169
Coller International III LP	-	-	34,399,073	34,399,073
Partners Group Direct Equity Fund 2019	-	-	35,936,132	35,936,132
Continuity Capital Private Equity Fund No 5	-	-	11,766,800	11,766,800
Flexstone Select Opportunities Fund II	-	-	20,932,117	20,932,117
Flexstone Global Opportunities Fund IV	-	-	21,832,804	21,832,804
Stone Harbor Emerging Markets Debt	-	43,414,227	-	43,414,227
Brookfield Super Core Infrastructure Partners	-	-	62,932,923	62,932,923
North Haven Infrastructure Partner III	-	-	59,844,199	59,844,199
	-	134,789,267	562,802,494	697,591,761
Derivative assets				
Equity futures	-	29,686	-	29,686
Fixed interest futures	-	592,738	-	592,738
Forward foreign exchange contracts	-	283,664	-	283,664
	-	906,088	-	906,088
Derivative liabilities				
Equity futures	-	(72,466)	-	(72,466)
Forward foreign exchange contracts	-	(8,756,957)	-	(8,756,957)
	-	(8,829,423)	-	(8,829,423)
Total	1,293,071,995	127,285,932	562,802,494	1,983,160,421

6. Fair value of financial instruments (continued)

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

	30 June 2022			
	Level 1 $	Level 2 $	Level 3 $	Total $
Other interest bearing securities	206,176,005	-	-	206,176,005
Australian equities				
Listed equity securities	485,065,283	-	-	485,065,283
International equities				
Listed equity securities	641,907,259	-	-	641,907,259
Unlisted unit trusts				
Yield Plus Infrastructure Property Fund	-	-	6,966,315	6,966,315
Investa Commercial Property Fund	-	-	158,444,409	158,444,409
GPT Wholesale Shopping Centre Fund	-	-	39,212,132	39,212,132
Kapstream Capital Fund	-	45,946,104	-	45,946,104
Bentham Syndicate Fund	-	51,556,060	-	51,556,060
SG Distressed Opp Fund IV	-	-	8,846,477	8,846,477
HayFin Direct Lending Fund	-	-	674,149	674,149
Partners Group Direct Equities Fund	-	-	32,068,959	32,068,959
HayFin Direct Lending Fund II	-	-	16,452,668	16,452,668
Coller International Fund VI	-	-	6,300,461	6,300,461
QIC Global Infrastructure Fund	-	-	61,476,552	61,476,552
Coller International III LP	-	-	27,461,020	27,461,020
Partners Group Direct Equity Fund 2019	-	-	30,047,287	30,047,287
Continuity Capital Private Equity Fund No 5	-	-	9,798,460	9,798,460
Flexstone Select Opportunities Fund II	-	-	17,277,298	17,277,298
Flexstone Global Opportunities Fund IV	-	-	14,818,374	14,818,374
Stone Harbor Emerging Markets Debt Explore	-	42,848,655	-	42,848,655
Brookfield Super Core Infrastructure Partners	-	-	82,003,563	82,003,563
North Haven Infrastructure Partner III	-	-	46,606,064	46,606,064
	-	140,350,819	558,454,188	698,805,007
Derivative assets				
Fixed interest futures	-	1	-	1
Forward foreign exchange contracts	-	173,235	-	173,235
	-	173,236	-	173,236
Derivative liabilities				
Fixed interest futures	-	(16)	-	(16)
Forward foreign exchange contracts	-	(29,026,103)	-	(29,026,103)
	-	(29,026,119)	-	(29,026,119)
Total	1,333,148,547	111,497,936	558,454,188	2,003,100,671

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.

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 not quoted in an active market. For unlisted unit trusts 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 either Level 2 or 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.

As at 30 June 2023, the Fund has measured the fair value of its unlisted investments at their redemption price. This followed a due diligence process to ensure the unit-price reported by fund managers was a reasonable and appropriate reflection of the investees' underlying assets, given updates to NAVs were applied by fund managers outside their most recent audit period.

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.

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	2023: $435,184,546 2022: $431,514,557	Discounted cash flow valuation	Discount rate	2023: 3.8% - 25.5% (WA: 8.12% - 11.8%) 2022: 5.79% - 11.78% (WA: 6.7% - 10.55%)
	2023: $81,400,416 2022: $80,761,184	Direct comparison approach	Average EBITDA	2023: 3.3x - 11.6x (WA: 10.34x) 2022: 3.5x - 11.7x (WA: 10.34x)
	2023: $6,983,307 2022: $6,966,315	Net asset value based on value of underlying property or investments	Terminal value of the assets	2023: -6.6% / + 19.5% 2022: -4.3% / + 19.3%
	2023: $39,234,225 2022: $39,212,132	Net asset value based on value of underlying property or investments.	Discount rate	2023: 9.6% - 12.5% (WA - 11.2%) 2022: 5.05% - 7.93% (WA - 6.7%)

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

Description	Input	Sensitivity used**	Effect on fair value $
Unlisted unit trusts	Discount rate on cashflow	+ / - 2.0%	2023: 39,017,019 / (31,830,651) 2022: (5,534,344) / 19,965,922
	Average EBITDA	1x	2023: 99,171 / (99,171) 2022: 63,405 / (63,405)
	Terminal value of the assets	+ / - 2.0%	2023: 1,361,745 / (460,898) 2022: 1,358,431 / (459,777)
	Discount rate on net asset value	+ / - 2.0%	2023: 4,408,677 / (3,584,893) 2022: (659,194) / 686,605

*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.

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 2023

	Unlisted unit trusts $	TOTAL $
Opening balance	558,454,188	558,454,188
Total gains recognised in the income statement for the period	8,571,122	8,571,122
Purchases/Applications	45,857,984	45,857,984
Sales/Redemptions	(50,080,800)	(50,080,800)
Closing Balance	562,802,494	562,802,494

30 June 2022

	Unlisted unit trusts $	TOTAL $
Opening balance	474,171,168	474,171,168
Total gains / (losses) recognised in the income statement for the period	37,360,451	37,360,451
Purchases/Applications	82,857,345	82,857,345
Sales/Redemptions	(35,934,776)	(35,934,776)
Closing Balance	558,454,188	558,454,188

(c) Transfers Between Hierarchy Levels
No investments were transferred between hierarchy levels during the year.

7. Receivables

	2023 $	2022 $
Recoverable within 12 months		
GST receivable	106,533	92,222
Prepayments	24,323	24,323
	130,856	116,545

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

	2023 $	2022 $
Property, plant and equipment		
Cost	178,631	178,344
Accumulated depreciation and impairment	(115,218)	(93,378)
Net written down value	63,413	84,966
Right of use assets		
Cost	2,225,338	2,225,338
Accumulated depreciation and impairment	(871,133)	(677,623)
Net written down value	1,354,205	1,547,715
Total Net written down value	1,417,618	1,632,681

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

9. Payables

	2023 $	2022 $
Due within 12 months		
Trade and other creditors	1,537,088	1,903,155
Employee benefit liabilities	128,337	120,290
	1,665,425	2,023,445
Lease liability		
Less than one year	266,279	203,725
More than one year	1,172,244	1,463,170
	1,438,523	1,666,895
Total payables	3,103,948	3,690,340

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

	2023 $	2022 $
Investments held at reporting date		
Cash, bills and deposits	(7,543,366)	(14,809,447)
Other interest bearing securities	(2,408,917)	(22,529,793)
Australian equities	42,786,954	(52,423,163)
International equities	60,960,101	(146,665,510)
Units in unlisted unit trusts	17,735,163	23,864,873
Total unrealised gains / (losses)	111,529,935	(212,563,040)
Investments realised during the year		
Cash, bills and deposits	(12,035,916)	(1,330,059)
Other interest bearing securities	(1,417,295)	(1,670,164)
Australian equities	14,467,573	(5,649,621)
International equities	2,187,845	(4,823,481)
Units in unlisted unit trusts	426,789	(348,140)
Total realised gains / (losses)	3,628,996	(13,821,465)
Changes in assets measured at fair value	115,158,931	(226,384,505)

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

	2023 $	2022 $
Operational risk reserve	5,769,600	8,800,003
Other reserves	16,003,483	17,276,696
	21,773,083	26,076,699

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 2023 financial year $3,270,143 was transferred to Other reserves from the ORFR and released to members to bring the reserve in line with the target allocation.

11. Reserves (continued)

Other reserves
These reserves relate to amounts that the Trustee has put aside to pay for unplanned expenses which may relate to projects, increased regulatory requirements and other matters as part of the operation of the Fund.

12. Operating expenses

	2023 $	2022 $
Audit and taxation services	320,929	319,453
Trustee liability insurance	159,629	181,224
APRA levies and fees	176,325	189,477
Consulting fees	323,905	330,584
Marketing expenses	11,414	73,125
Trustee expenses	3,517	2,929
Staff wages and related expenses	3,080,218	3,001,712
Legal fees	67,963	116,172
Actuarial services	116,626	147,311
General expenses	487,418	653,153
Merger costs	27,345	246,201
	4,775,289	5,261,341

13. Auditor's remuneration

	2023 $	2022 $
Amount received or due and receivable by EY:		
Audit of financial reports and compliance	167,431	142,087
	167,431	142,087

14. Income tax

	2023 $	2022 $
(a) Major components of income tax expense / (benefit) for the years ended 30 June:		
Income statement		
Current tax expense / (credit)		
Current tax credit	3,805,004	(1,231,103)
Adjustments in respect of current income tax of previous years	1,703,245	(2,431,773)
Deferred tax		
Relating to origination and reversal of temporary differences	(12,206,934)	24,522,626
Total tax (expense) / benefit as reported in the income statement	(6,698,685)	20,859,750

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

	2023 $	2022 $
Profit / (loss) from operating activities	5,629,258	(49,905,198)
Income tax at 15%	(844,389)	7,485,780
Capital (gains) / losses not (assessable) / deductible	(12,450,063)	24,864,554
Non deductible expenses	(68,904)	(121,043)
Net expense allocated to members' accounts	(868,360)	(23,322,790)
Derecognition of temporary differences	(1,005,323)	(840,985)
Exempt pension income	154,924	2,267,065
Net imputation and foreign tax credits	6,680,185	12,958,942
Over / (underprovision) in the previous year	1,703,245	(2,431,773)
	(6,698,685)	20,859,750

14. Income tax (continued)

(c) Deferred tax

2023	Opening Balance $	(Charged) / Credited to income $	Closing Balance $
Deferred tax assets			
Fund expenses accrued but not incurred	16,500	244,874	261,374
	16,500	244,874	261,374
Deferred tax liabilities			
Income receivable	694,312	(208,071)	486,241
Unrealised gains on investments	(17,471,089)	(12,243,737)	(29,714,826)
	(16,776,777)	(12,451,808)	(29,228,585)
Net deferred tax liability	(16,760,277)	(12,206,934)	(28,967,211)

2022	Opening Balance $	(Charged)/Credited to income $	Closing Balance $
Deferred tax assets			
Fund expenses accrued but not incurred	33,285	(16,785)	16,500
	33,285	(16,785)	16,500
Deferred tax liabilities			
Income receivable	170,870	523,442	694,312
Unrealised gains on investments	(41,487,058)	24,015,969	(17,471,089)
	(41,316,188)	24,539,411	(16,776,777)
Net deferred tax liability	(41,282,903)	24,522,626	(16,760,277)

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:

	2023 $	2022 $
Cash and cash equivalents	6,585,963	5,160,888

Reconciliation of net cash inflows / (outflows) from operating activities to net loss after income tax

	2023 $	2022 $
Net loss after income tax	(1,069,427)	(29,045,448)
Adjustments for:		
(Decrease) / increase in assets measured in fair value	(188,769,492)	110,118,590
Depreciation	215,350	99,375
Increase / (decrease) in insurance	762,262	(628,582)
(Increase) / decrease in receivables	(14,311)	5,335
(Decrease) / increase in payables	(586,392)	797,842
Increase / (decrease) in income tax receivable	1,631,351	(14,622,904)
Increase / (decrease) in net deferred tax liability	12,206,934	(24,522,626)
Allocation to members' accounts	178,411,065	(66,575,840)
Net cash inflows / (outflows) from operating activities	2,787,340	(24,374,258)

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
Geoffrey Burgess
Tim Rothwell
David Coogan

Member Representatives
Michael Farrell
Ben Firkins (Chairman)
Stuart Brades

Independent Directors
Lawrence Cox
Julie Orr
Susan Darroch (Resigned 22 November 2022)

The other members of key management personnel are:

Chief Executive Officer	Michael Sykes
Executive Manager - Finance and Risk	Nicholas Smith
Executive Manager - Governance	Shan Badowski
Executive Manager - Operations	Michael Irving

(b) Compensation of key management personnel

	2023 $	2022 $
Short-term benefits	1,587,823	1,441,338
Long-term benefits	160,522	144,190
Total Compensation	1,748,345	1,585,528

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.

(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.

During the year, Airservices Australia, in its capacity as the Principal Employer, received $77,506,352 in respect of the repatriation of the surplus assets above 120% of the Vested Benefit Index as agreed with the principal employer and the Trustee consistent with the Trust Deed.

AirServices Australia paid Nil (2022: Nil) in management expenses on behalf of the Fund for which it claimed reimbursement.

18. Financial risk management objectives and policies

The Trustee's robust risk management framework continues to be applied across the Fund's operations.

(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.

Administration of the Fund is conducted by Mercer Administration Services (Australia) Pty Ltd.

(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:

	2023 $	2022 $
Blackrock Cash Fund	165,864,388	156,474,234
Investa Commercial Property Fund	147,682,126	158,444,409
Schroder Australian Equity Fund	118,145,767	124,090,432
Loomis Sayles Global Equity Fund	154,883,285	162,947,740
	586,575,566	**601,956,815**

(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 inward cash flows from contributions which provides capacity to assist in managing 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. 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 2022.

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

	2023 $	2022 $
Less than 3 months		
Member liabilities	2,154,830,775	2,086,071,330
Payables	1,731,995	2,074,376
Derivative liabilities*	8,829,423	29,026,119
Total	2,165,392,193	2,117,171,825

*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).

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 2023 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.

2023	Weighted Average interest rates %	Less than 1 year $	1-5 Years $	Over 5 Years $	Total $
Non interest bearing	n/a	1,962,931,853	-	-	1,962,931,853
Variable interest rate	2.91	54,946,357	-	-	54,946,357
Fixed interest securities	1.45	168,041,395	47,285,459	94,322,796	309,649,650
Total		2,185,919,605	47,285,459	94,322,796	2,327,527,860

2022	Weighted Average interest rates %	Less than 1 year $	1-5 Years $	Over 5 Years $	Total $
Non interest bearing	n/a	1,956,200,330	-	-	1,956,200,330
Variable interest rate	0.19	73,112,914	-	-	73,112,914
Fixed interest securities	1.09	171,426,045	50,166,969	96,063,361	317,656,375
Total		2,200,739,289	50,166,969	96,063,361	2,346,969,619

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.

2023	Change in Interest Rate +/-	Effect on Net Assets/Investment Return $ +/-
Interest rate risk	1.00%	3,645,960 / (3,645,960)

2022	Change in Interest Rate +/-	Effect on Net Assets/Investment Return $ +/-
Interest rate risk	1.00%	3,907,693 / (3,907,693)

18. Financial risk management objectives and policies (continued)

(h) Market risk (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 33% hedged for international equities (2022 : 33%) and 100% hedged for all other international investments (2022 : 100%) 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.

2023	Assets $	Liabilities $	Forward Foreign Exchange Contracts $	Net Exposure $
US Dollars	494,139,245	(672,862)	(393,980,611)	99,485,772
Euro	133,649,330	(108)	(140,284,712)	(6,635,490)
Japanese Yen	19,400,116	-	(13,846,469)	5,553,647
British Pound	21,465,429	(82,061)	(26,163,113)	(4,779,745)
Other Currencies	62,347,885	(189,533)	(46,989,673)	15,168,679

2022	Assets $	Liabilities $	Forward Foreign Exchange Contracts $	Net Exposure $
US Dollars	559,349,190	(12,662,628)	(447,947,735)	98,738,827
Euro	124,319,275	(342,123)	(149,839,273)	(25,862,121)
Japanese Yen	26,636,391	(19)	(21,847,579)	4,788,793
British Pound	20,250,577	-	(21,744,763)	(1,494,186)
Other Currencies	79,337,769	-	(64,829,648)	14,508,121

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.

2023	Changes in Foreign Currency Rate +/-	Effect on Net Assets/Investment Returns $ +/-
US Dollars	5%	(4,974,289) / 4,974,289
Euro	10%	663,549 / (663,549)
Japanese Yen	5%	(277,682) / 277,682
British Pound	10%	477,975 / (477,975)
Other Currencies	5%	(758,434) / 758,434

2022	Changes in Foreign Currency Rate +/-	Effect on Net Assets/Investment Returns $ +/-
US Dollars	5%	(4,936,941) / 4,936,941
Euro	10%	2,586,212 / (2,586,212)
Japanese Yen	5%	(239,440) / 239,440
British Pound	10%	149,419 / (149,419)
Other Currencies	5%	(725,406) / 725,406

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.

2023	Changes in Price Risk Rate	Effect on Net Assets/Investment Return
	+/-	+/-
Price risk	10%	195,206,376 / (195,206,376)

2022	Changes in Price Risk Rate	Effect on Net Assets/Investment Return
	+/-	+/-
Price risk	10%	194,680,503 / (194,680,503)

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 2023, the Fund had commitments of $91 million (2022: $127 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. Significant events after balance date

A non-binding Heads of Agreement was signed with the Australian Retirement Trust (ART) on 24 August 2023 with a view to AvSuper executing a Successor Fund Transfer to ART which, if it were to go ahead, would most likely take place in the June quarter of 2024.

AVSUPER FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023
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 2023 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 2023; 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 Canberra this 12th day of SEPTEMBER 2023

Director

Director