



Annual Financial Statements

Construction and Building Unions
Superannuation Fund

For the year ended 30 June 2023



ABN 75 493 363 262

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Statement of Financial Position

As at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Assets			
Cash and cash equivalents	3(a)	121,269	45,705
Receivables	4	7,344	7,281
Financial assets	5	85,765,208	71,990,610
Income tax receivables	9(e)	–	106,848
Property, plant and equipment	6(i)	9,193	10,816
Right-of-use assets	6(ii)	41,587	46,346
Intangible assets	7	23,987	32,406
Total assets		85,968,588	72,240,012
Liabilities			
Payables	8	(144,742)	(133,505)
Financial liabilities	5	(489,287)	(1,070,000)
Income tax payables	9(e)	(33,673)	–
Lease liabilities	10	(62,254)	(66,559)
Deferred tax liabilities	9(d)	(1,586,496)	(1,061,116)
Total liabilities excluding members' benefits		(2,316,452)	(2,331,180)
Net assets available for members' benefits		83,652,136	69,908,832
Members' benefits			
Defined contribution members' liabilities	11(a)		
Allocated to members		(82,107,533)	(69,560,223)
Unallocated to members		(10,990)	(6,948)
Defined benefit members' liabilities	11(b)	(1,142,387)	–
Total members' benefits	12	(83,260,910)	(69,567,171)
Net assets		391,226	341,661
Equity			
General reserve	2(n)	(48,039)	–
Administration reserve	2(n)	103,642	63,340
Insurance reserve	2(n)	111,242	103,549
Operational risk reserve	2(n)	209,130	174,772
Defined benefits over funded		15,251	–
Total equity		391,226	341,661

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

Income Statement

For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Superannuation activities revenue			
Interest		387,347	227,465
Dividends and distributions		1,523,247	1,876,293
Changes in fair value of financial instruments	13	5,115,042	(5,511,657)
Other investment income		43,359	28,709
Total superannuation activities revenue		7,068,995	(3,379,190)
Expenses			
Investment expenses	14	(239,655)	(268,010)
Administration and other operating expenses	15	(259,113)	(242,807)
Insurance premium expenses		(46,652)	(75,872)
Total expenses		(545,420)	(586,689)
Result from superannuation activities before Income tax (expense)/benefit		6,523,575	(3,965,879)
Income tax (expense)/benefit	9(a)	(431,607)	824,602
Result from superannuation activities before Income tax (expense)/benefit		6,091,968	(3,141,277)
Net (benefits)/losses allocated to members' accounts		(6,097,186)	3,094,782
Net change in defined benefit members' liabilities		(26,553)	–
Operating result after income tax		(31,771)	(46,495)

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

Statement of Changes in Members' Benefits

For the year ended 30 June 2023

2023	Notes	Defined Contribution Members \$'000	Defined Benefit Members \$'000	Total \$'000
Opening balance of members' benefits		69,567,171	–	69,567,171
Contributions received from:				
Employers		4,874,740	1,856	4,876,596
Members		714,135	67	714,202
Government		31,437	–	31,437
Successor fund transfers	1(a)	3,941,640	1,134,459	5,076,099
Net transfers (to)/from other superannuation entities		1,428,355	–	1,428,355
Income tax on contributions	9(c)	(773,528)	(279)	(773,807)
Net after tax contributions		10,216,779	1,136,103	11,352,882
Benefits paid to members or beneficiaries		(3,636,476)	(5,628)	(3,642,104)
Insurance premiums charged to members		(435,252)	–	(435,252)
Death and disability insurance entitlements received		294,474	–	294,474
Benefits allocated to members' accounts, comprising:				
Net investment income/(loss)		6,313,372	(4,730)	6,308,642
Administration fees		(201,545)	(9,911)	(211,456)
Net change in defined benefit members' liabilities		–	26,553	26,553
Closing balance of members' benefits	12	82,118,523	1,142,387	83,260,910

2022	Notes	Defined Contribution Members \$'000	Defined Benefit Members \$'000	Total \$'000
Opening balance of members' benefits		63,201,143	–	63,201,143
Contributions received from:				
Employers		3,944,099	–	3,944,099
Members		803,006	–	803,006
Government		26,890	–	26,890
Successor fund transfers	1(b)	6,761,214	–	6,761,214
Net transfers (to)/from other superannuation entities		1,395,257	–	1,395,257
Income tax on contributions	9(c)	(621,161)	–	(621,161)
Net after tax contributions		12,309,305	–	12,309,305
Benefits paid to members or beneficiaries		(2,784,200)	–	(2,784,200)
Insurance premiums charged to members		(358,867)	–	(358,867)
Death and disability insurance entitlements received		294,572	–	294,572
Benefits allocated to members' accounts, comprising:				
Net investment income		(2,901,758)	–	(2,901,758)
Administration fees		(193,024)	–	(193,024)
Closing balance of members' benefits	12	69,567,171	–	69,567,171

The merger with EISS Super, on 11 May 2023, amended the Fund's Trust Deed to establish a new Defined Benefits section. The above Statement of Changes in Members' Benefits should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2023

2023	General reserve \$'000	Administration reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Defined benefits over funded \$'000	Total equity \$'000
Opening balance	-	63,340	103,549	174,772	-	341,661
Net transfers (to)/from reserves	(13)	(3)	9	7	-	-
Net allocations (to)/from Members' Benefits	(6,308,642)	211,456	-	-	(26,553)	(6,123,739)
Net allocations (to)/from Income Statement	6,250,188	(184,738)	5,239	21,279	-	6,091,968
Successor fund transfers	10,428	13,587	2,445	13,072	41,804	81,336
Closing balance	(48,039)	103,642	111,242	209,130	15,251	391,226

2022	General reserve \$'000	Administration reserve \$'000	Insurance reserve \$'000	Operational risk reserve \$'000	Defined benefits over funded \$'000	Total equity \$'000
Opening balance	26,071	30,958	135,486	158,882	-	351,397
Net transfers (to)/from reserves	(37,726)	27,764	(2,491)	12,453	-	-
Net allocations (to)/from Members' Benefits	2,901,758	193,024	-	-	-	3,094,782
Net allocations (to)/from Income Statement	(2,905,113)	(193,121)	(29,446)	(13,597)	-	(3,141,277)
Successor fund transfers	15,010	4,715	-	17,034	-	36,759
Closing balance	-	63,340	103,549	174,772	-	341,661

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

Statement of Cash Flows

For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Interest received		1,009	5
Death and disability proceeds received from insurer		294,474	294,572
Administration expenses paid		(234,563)	(206,882)
Insurance premiums paid		(469,568)	(430,794)
Income tax received/(paid)		218,011	(265,793)
Net cash outflow from operating activities	3(b)	(190,637)	(608,892)
Cash flows from investing activities			
Purchases of financial instruments		(98,489,216)	(141,241,126)
Proceeds from sale of financial instruments		96,075,417	139,075,600
Payments for fixed and intangible assets		(5,964)	(5,326)
Net cash outflow from investing activities		(2,419,763)	(2,170,852)
Cash flows from financing activities			
Employer contributions received		4,876,596	3,944,099
Member contributions received		714,202	803,006
Government co-contributions received		31,437	26,890
Transfers from other superannuation entities received		1,427,409	1,395,257
Successor fund transfers	1(a),1(b)	41,506	19,901
Benefits paid to members or beneficiaries		(3,642,104)	(2,784,200)
Payment of lease liabilities		(5,558)	(7,263)
Tax paid on contributions		(757,524)	(612,217)
Net cash inflow from financing activities		2,685,964	2,785,473
Net increase/(decrease) in cash		75,564	5,729
Cash at the beginning of the financial year		45,705	39,976
Cash at the end of the financial year	3(a)	121,269	45,705

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

Notes to the Financial Statements

For the year ended 30 June 2023

1. General information

The Construction and Building Unions Superannuation Fund (the 'Fund') is a superannuation fund domiciled in Australia.

The Fund was constituted by a Trust Deed dated 29 May 1984 (as amended) to provide superannuation benefits to its members. For the purposes of the financial statements the Fund is a not for profit entity.

The Trustee of the Fund is United Super Pty Ltd (the 'Trustee'). The registered office of the Trustee is Level 22, 130 Lonsdale Street, Melbourne, VIC 3000.

These financial statements cover the Fund as an individual entity and were authorised for issue in accordance with a resolution of the board of directors of the Trustee on 19 September 2023. The directors of the Trustee have the power to amend and re-issue these financial statements.

(a) Successor fund transfer - EISS Super

On 11 May 2023, the Fund undertook a Successor Fund Transfer with EISS Super (Energy Industries Superannuation Scheme Pool A: Registration No. R1004861 and Pool B: Registration No. R1004878), registrable superannuation entities domiciled in Australia. The Fund's merger with EISS Super included a defined benefit scheme.

The change to net members' benefits of \$5,076,099,000 is described as successor fund transfers in the Statement of Changes in Members' Benefits. The assets, liabilities and members' benefits transferred were:

Closing Balance Sheet of EISS Super

	Pool A 11 May 2023 \$'000	Pool B 11 May 2023 \$'000	Total 11 May 2023 \$'000
Assets			
Cash and cash equivalents	22,705	18,801	41,506
Receivables	620	327	947
Financial assets	3,292,250	1,792,031	5,084,281
Deferred tax assets	33,970	9,693	43,663
Total assets	3,349,545	1,820,852	5,170,397
Liabilities			
Payables	(1,476)	(7)	(1,483)
Income tax payables	(7,859)	(3,620)	(11,479)
Total liabilities excluding members' benefits	(9,335)	(3,627)	(12,962)
Net assets available for members' benefits	3,340,210	1,817,225	5,157,435
Members' benefits			
Defined contribution members' liabilities	(3,320,925)	(620,715)	(3,941,640)
Defined benefit members' liabilities	–	(1,134,459)	(1,134,459)
Total members' benefits	(3,320,925)	(1,755,174)	(5,076,099)
Net assets	19,285	62,051	81,336
Equity			
Insurance reserve	–	2,445	2,445
Operational risk reserve	8,472	4,600	13,072
Other reserves	10,813	13,202	24,015
Defined benefits over funded	–	41,804	41,804
Total equity	19,285	62,051	81,336

Notes to the Financial Statements

For the year ended 30 June 2023

1. General information (continued)

(b) Successor fund transfer - Media Super

In the prior year, the Fund undertook a Successor Fund Transfer with Media Super (Registration No. R1000399) on 11 April 2022. Media Super was a registrable superannuation entity domiciled in Australia.

The change to net members' benefits of \$6,761,214,000 is described as successor fund transfers in the Statement of Changes in Members' Benefits. The assets, liabilities and members' benefits transferred were:

Closing Balance Sheet of Media Super

		11 April 2022 \$'000
Assets		
Cash and cash equivalents		19,901
Receivables		64,662
Financial assets		6,808,283
Deferred tax assets		536
Total assets		6,893,382
Liabilities		
Payables		(5,399)
Financial liabilities		(120)
Income tax payables		(10,141)
Deferred tax liabilities		(79,749)
Total liabilities excluding members' benefits		(95,409)
Net assets		6,797,973
Members' benefits		
Allocated to members		(6,759,138)
Unallocated to members		(2,076)
Total members' benefits		(6,761,214)
Net assets		36,759
Equity		
General reserve		19,725
Operational risk reserve		17,034
Total equity		36,759

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Superannuation Industry (Supervision) ('SIS') Act 1993* and Regulations and the provisions of the Trust Deed.

(i) Financial statements presentation

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and not distinguished between current and non-current.

(ii) Assessment as an investment entity

The Trustee has assessed that the Fund meets the definition of an investment entity within AASB 10 *Consolidated Financial Statements* as it meets the following criteria:

- The Fund obtains money from members for the purpose of providing them with investment management services;
- The Fund's business purpose, which it communicated directly to members, is investing solely for returns from capital appreciation, investment income or both; and
- The performance of investments made by the Fund are measured and evaluated on a fair value basis.

The Fund also meets all the other typical characteristics of an investment entity.

The Fund does not consolidate the controlled entities (refer to Note 20) but instead measures investments in unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments*.

The entities controlled by the Fund have been set up for the purpose of holding investments that generate capital appreciation and investment income. The investment strategies of the underlying controlled entities may include leverage. The Fund purchases shares and units from the controlled entities which enables the controlled entities to invest in a range of property, infrastructure and private equity assets, either directly or through underlying entities. These underlying controlled entities hold investments in property and infrastructure.

The Fund's maximum exposure to loss from its interests in controlled entities is equal to the fair value of its investments in these entities plus any capital commitments (refer to Note 20) made by a controlled entity to an underlying entity.

Once the Fund has disposed of its interest in a controlled entity it ceases to be exposed to any risk from the controlled entity.

(iii) Fair value measurement

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

(b) Significant accounting estimates, judgements and assumptions

The preparation of the Fund's financial statements requires management to make estimates, judgements and assumptions that affect the recognised amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

In applying the Fund's accounting policies management continually evaluates estimates, judgements and assumptions based on historical experience and other factors, including expectations of future events that may have an impact on the Fund. All estimates, judgements and assumptions made are believed to be reasonable based on the most current set of circumstances available to management.

Significant estimates, judgements and assumptions exist in the calculation of the accrued benefit relating to defined benefit members' liabilities. The key estimates, judgements and assumptions used are set out in Note 12.

(c) New accounting standards and interpretations adopted by the Fund

(i) New accounting standards and interpretations that are applicable for mandatory adoption in the current year

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior or current periods or that will affect future periods.

(ii) New accounting standards and interpretations that are applicable for early adoption in the current year, but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period and have not been early adopted by the Fund. None of these are expected to have a material effect on the financial statements of the Fund.

(d) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows comprises cash held with banking institutions and is subject to an insignificant risk of changes in value.

Other cash held forms part of the Fund's investment portfolio and is treated as a financial asset, classified as fund managers' cash and cash equivalents. This includes short-term deposits, margin accounts and unsettled trades.

Notes to the Financial Statements

For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

(e) Receivables

Receivables are initially recognised at fair value and subsequently measured at fair value less any adjustment for credit impairment.

All receivables, unless otherwise stated, are non-interest bearing, unsecured and generally received within 14 days of recognition.

Collectability of receivables is reviewed regularly and considered as part of their fair value measurement.

(f) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period and are measured at fair value. These amounts are unsecured and are usually paid within 14 days of recognition.

(g) Financial assets and liabilities

(i) Classification

The Fund's financial investments are classified as fair value through profit or loss in accordance with AASB 1056 *Superannuation Entities*.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises the changes in the fair value of the financial assets or liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs for financial assets and financial liabilities carried at fair value through profit or loss are expensed in the Income Statement.

Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses are presented in the Income Statement in the period in which they arise as changes in the fair value of financial instruments.

(h) 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 a fair value hierarchy (refer to Note 19).

(i) Property, plant and equipment

Motor vehicles, office and computer equipment, furniture and fittings and leasehold improvements are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. If significant parts of the asset have different useful lives they are accounted as separate assets. Any gain/loss arising from impairment and any gain/loss on disposal of an item is recognised in the Income Statement in the period in which it occurs.

The cost of leasehold improvements is capitalised as an asset and depreciated over the assets' lease term.

Depreciation is calculated using the diminishing value method to allocate an asset's cost over its estimated useful life. The assets residual values and useful lives are reviewed at the end of each reporting period and adjusted if required. The estimated useful lives are as follows:

Leasehold improvements	Lease term
Furniture and fittings	5-10 years
Office equipment	10 years
Computer equipment	3-4 years
Motor vehicles	8 years

(j) Leases

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

(i) 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 to Note 6) and the valuation of lease liabilities (refer to Note 10). 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 comprise 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, the Fund has exercised the optional exemptions, where 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 lease liability.

Correspondingly, a 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 initially recognised as of 1 July 2019 was 2.90% p.a. Where there has been a re-assessment of the lease term during the year, the Fund has re-measured the lease liabilities using a revised incremental borrowing rate as at the date of the lease modification.

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.

(k) Intangible assets

(i) Internally generated intangible assets

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period economic benefits are capitalised as internally generated intangible assets. Amortisation and annual impairment testing of completed internally generated intangible assets are used as a proxy for fair value assessment at the reporting date calculated over the asset's useful life ranging from 2 to 5 years.

Costs associated with internally generated intangible assets are recorded as assets under construction until completion and subject to annual impairment testing.

(ii) Software as a Service (SaaS) related costs

Costs associated with maintaining or customising SaaS cloud products/software programmes are recognised as an operating expense as incurred.

(l) Impairment of assets

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, Management makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset,

unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in administration and other operating expenses.

(m) Members' benefits

Members' benefits are the Fund's present obligation to pay benefits to members and beneficiaries as follows:

(i) Defined contribution members' liabilities

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

(ii) Defined benefit members' liabilities

Defined benefit members' liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at the date when they are expected to fall due. The amount of accrued benefits has been determined on the basis of the present value of expected future payments with reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and other relevant actuarial assumptions.

Refer to Note 12 for further information on members' benefits.

(n) Reserves

The Fund maintains four reserves, for the purposes described below:

- A General Reserve to manage the receipt of investment income and the payment of investment related expenses and tax. This reserve is also used for the allocation of investment earnings to members via the process of declaring daily crediting rates. The long-term aim is to hold a General Reserve within a range of 0.00%-0.25% (2022: 0.00%-0.25%) of the Fund's net assets available for members' benefits; The General Reserve balance as at reporting date was negative \$48.0m (2022: nil) as a result of timing differences between crediting rates declared for 30 June 2023 and the annual financial statements relating to certain estimates and provisions associated with the EISS Super SFT. Subsequent to 30 June 2023, the timing differences have been rectified such that the General Reserve is no longer negative.

There was no impact on the Fund's financial performance or net assets available for members' benefits as reported within the financial statements.

- An Administration Reserve to manage the receipt of administration fees and the payment of Fund administration and operating expenses.

Notes to the Financial Statements

For the year ended 30 June 2023

2. Summary of significant accounting policies (continued)

The reserve is also used to cover unexpected and unbudgeted expenses of the Fund and to meet any other expenses which the trustee deems ought to be met from the Administration Reserve, rather than directly from members' accounts.

The Trustee Board has determined that the Administration Reserve is to be maintained within a range of +/-10% of the target level of \$74.5m;

- An Insurance Reserve is maintained to ensure insurance related expenditure and income are incurred and shared by insurance members and there is no impact on non-insured members for insurance activities. The Insurance Reserve accounts for:
 - The Partnership Sharing Model (PSM) in place with the Fund's insurance provider, TAL Life Limited. The PSM provides a mechanism to manage the long-term fluctuations in claims experience;
 - Insurance related revenue and expenditure of the fund;
 - Includes a self-insured amount in order to pay an additional benefit to certain defined benefit members in the event the member dies or becomes totally or permanently disabled prior to retirement age; and
- An Operational Risk Reserve (ORR) to provide protection to the Fund if a loss is incurred from an operational risk event. The use of the ORR is governed by requirements established by the Australian Prudential Regulatory Authority, under Prudential Standard *SPS 114 Operational Risk Financial Requirement*.

The Trustee intends to maintain the reserve at 0.25% (2022: 0.25%) of the Fund's net assets available for members' benefits in line with its internal policy.

(o) Revenue and expense recognition

(i) Interest revenue

Interest revenue from financial instruments that are held at fair value is determined based on the contractual coupon interest rate and includes interest from cash and cash equivalents.

(ii) Dividends and distributions revenue

Dividends and distributions revenue are recognised gross of withholding tax when the Fund's right to receive the distribution or dividend payment is established.

(iii) Changes in fair value of financial instruments

Changes in the fair value of financial instruments are calculated as the difference between the fair value upon sale, restructure, settlement or termination, or at the end of the reporting period, and the fair value at the end of the previous reporting period or at the date the financial instruments are acquired.

All changes in the fair value of financial instruments are recognised in the Income Statement.

Expenses are recognised in the Income Statement when the Fund has a present obligation (legal or constructive) as a result of a past event, that can be reliably measured, and where the expenses do not produce future economic benefits that qualify for recognition in the Statement of Financial Position.

(p) Income tax

The Fund is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Acts 1936 and 1997. Accordingly, the concessional tax rate of 15% has been applied to the Fund's taxable income.

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments where the Fund is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

(q) Goods and services tax (GST)

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

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- 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.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence investment management fees, custodial fees and other expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office (ATO).

(r) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund and its subsidiaries operate ("the functional currency"). The financial statements are presented in Australian Dollars, which is the Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

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

(s) Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest thousand dollars (\$'000), unless otherwise indicated.

Notes to the Financial Statements

For the year ended 30 June 2023

3. Cash and cash equivalents

(a) Components of cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank	121,269	45,705
Total cash and cash equivalents	121,269	45,705

(b) Reconciliation of operating result after income tax to net cash outflow from operating activities

Operating result after income tax	(31,771)	(46,495)
Change in operating assets and liabilities:		
(Increase)/decrease in assets measured at fair value	(6,828,077)	3,647,205
Increase/(decrease) in payables	16,121	19,516
Increase/(decrease) in insurance premiums payables	(140,777)	(64,295)
Increase/(decrease) in income tax payables	649,618	(1,090,395)
Adjustments for non-cash and non-operating items:		
Depreciation and amortisation	20,510	20,354
Allocation to members' accounts	6,123,739	(3,094,782)
Net cash outflow from operating activities	(190,637)	(608,892)

4. Receivables

GST receivables	389	1,705
Other receivables	6,955	5,576
Total receivables	7,344	7,281

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(b).

5. Financial assets and liabilities

	2023 \$'000	2022 \$'000
Financial assets		
Fund managers' cash and cash equivalents	10,428,555	6,686,133
Alternative debt	1,401,568	1,154,511
Derivative assets	247,460	530,262
Fixed interest securities	9,627,490	8,733,055
Australian equities	16,880,516	14,475,430
International equities	22,977,417	19,313,548
Alternative assets	14,149,854	12,076,600
Investment property trusts:		
Externally managed	5,677,254	4,897,612
Internally managed	4,375,094	4,123,459
Total investment property trusts	10,052,348	9,021,071
Total financial assets	85,765,208	71,990,610
Financial liabilities		
Derivative liabilities	(489,287)	(1,070,000)
Total financial liabilities	(489,287)	(1,070,000)

Notes to the Financial Statements

For the year ended 30 June 2023

6. Property, plant and equipment

(i) Property, plant and equipment owned

Information about property, plant and equipment owned by the Fund is presented below:

	2023 \$'000	2022 \$'000
Property, plant and equipment		
Opening net book value	10,816	12,797
Additions	516	909
Disposals	(9)	(272)
Depreciation expense	(2,130)	(2,618)
Closing net book value	9,193	10,816
Cost	19,261	18,784
Accumulated depreciation	(10,068)	(7,968)
Net book value	9,193	10,816

(ii) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and their movements during the year.

Right-of-use assets		
Opening balance	46,346	53,126
Additions	2,114	–
Depreciation expense	(6,873)	(6,780)
Closing balance	41,587	46,346

7. Intangible assets

Internally generated intangible assets		
Opening net book value	32,406	42,569
Additions and assets under construction	3,334	4,417
Impairment	(246)	(3,624)
Amortisation	(11,507)	(10,956)
Total intangible assets	23,987	32,406

8. Payables

Insurance premiums payables	(44,814)	(32,478)
Investment manager fees payables	(24,429)	(23,671)
Investment manager performance fees payables	(29,279)	(33,787)
Administration expenses payables	(21,300)	(21,480)
Asset consulting fees payables	(219)	(268)
Custodian fees payables	(3,868)	(3,762)
Provision for employee benefits	(20,833)	(18,059)
Total payables	(144,742)	(133,505)

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 exposures are set out in Note 18.

9. Income tax

(a) Income tax expense/(benefit) recognised in the Income Statement

	2023 \$'000	2022 \$'000
Current income tax expense/(benefit)		
Current tax on profits/(losses) for the year	(216,372)	(145,576)
Adjustments for current tax of prior periods	78,935	15,610
Deferred income tax expense/(benefit)		
Relating to origination and reversal of temporary differences	569,044	(694,636)
Total income tax expense/(benefit) recognised in the Income Statement	431,607	(824,602)

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

Result from superannuation activities before income tax expense/(benefit)	6,523,575	(3,965,879)
Prima facie tax at the applicable Australian tax rate of 15% (2022: 15%)	978,536	(594,882)
Tax effects of amounts which are not (assessable)/deductible in calculating taxable income:		
Capital (gains)/losses not (assessable)/deductible	(334,628)	115,067
Exempt pension income	(43,954)	16,049
Net imputation and foreign tax credits	(181,994)	(322,616)
Insurance premium deduction	(65,288)	(53,830)
Adjustments for current tax of prior periods	78,935	15,610
Total income tax expense/(benefit)	431,607	(824,602)

(c) Income tax on contributions recognised in the Statement of Changes in Members' Benefits

Contributions and transfers-in	12,126,689	12,930,466
Tax at the complying superannuation fund rate of 15% (2022: 15%)	1,819,003	1,939,570
Non-assessable contributions	(73,651)	(98,040)
Non-assessable transfers-in	(972,902)	(1,221,075)
No TFN tax	1,357	706
Total income tax on contributions recognised in the Statement of Changes in Members' Benefits	773,807	621,161

(d) Deferred tax liabilities

	Opening balance \$'000	Transferred from successor fund \$'000	(Charged)/Credited to Income \$'000	Closing balance \$'000
2023 - Deferred tax liabilities				
Unrealised (gains)/losses on investments	(1,061,116)	43,664	(569,044)	(1,586,496)
Total deferred tax liabilities	(1,061,116)	43,664	(569,044)	(1,586,496)
2022 - Deferred tax liabilities				
Unrealised (gains)/losses on investments	(1,676,538)	(79,213)	694,635	(1,061,116)
Total deferred tax liabilities	(1,676,538)	(79,213)	694,635	(1,061,116)

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

Notes to the Financial Statements

For the year ended 30 June 2023

9. Income tax (continued)

(e) Income tax receivables/payables

The Fund's income tax payable of \$33,672,875 (2022: \$106,848,047 income tax receivable) represents the amount of income tax payable or receivable in respect of current and prior periods.

10. Lease liabilities

	2023 \$'000	2022 \$'000
Lease liabilities	(62,254)	(66,559)
Total lease liabilities	(62,254)	(66,559)

The Fund leases commercial office spaces (within Australia), vehicles and other office equipment. The office leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year.

Opening balance	66,559	72,569
Additions	2,114	–
Accretion of interest	1,550	1,605
Payments	(7,969)	(7,615)
Closing balance	62,254	66,559
Current	6,487	6,073
Non-current	55,767	60,486
Total lease liabilities	62,254	66,559

The maturity analysis of the contractual undiscounted cash flows of future property lease payments are as follows:

Less than one year	86	51
One to five years	4,322	5,897
More than five years	65,072	68,424
Total undiscounted lease liabilities	69,480	74,372

The following are the amounts recognised in the Income Statement:

Depreciation expense of right-of-use assets	6,873	6,780
Interest expense on lease liabilities	1,550	1,605
Rental expense relating to leases of short-term and low-value assets	(79)	(153)
Total amount recognised in profit or loss	8,344	8,232

11. Funding arrangements

(a) Defined contribution members' liabilities

Employers contribute to the Fund on behalf of members in accordance with the Fund's Trust Deed, relevant industry award agreements and mandated minimum Superannuation Guarantee Charge rate of 10.5% (2022: 10.0%). In addition, members and employers can elect to contribute further amounts to the Fund at their own discretion.

(b) Defined benefit members' liabilities

The merger with EISS Super on 11 May 2023, as outlined in Note 1(a), amended the Fund's Trust Deed to establish a new Defined Benefits section. A Sub-Division, within the Defined Benefits section, was also created for receiving the transferred EISS Super defined benefit liabilities ("Pool B Sub-Division"). Member and employer contributions to the defined benefit scheme are described below:

(i) Pool B Sub-Division - Former Pool B Division "B" members

Employer contributions

Employers contribute on a fully funded basis as determined by the Trustee based on actuarial advice. During the year the employers contributed at a rate of 1.9 times the value of employee contributions. Employers have paid additional contributions based on actuarial recommendations.

Employers also contribute to a member's Basic Benefit, otherwise referred to as the Basic Benefits for Former Pool B members ("Division C"). This employer funded benefit is generally equal to 3% of either the final average salary or final salary (depending on the circumstances of exit) for each year of service (less 15% contributions tax).

Member contributions

Each member elects to contribute between 1% and 9% of salary for their Contributor Financed Benefit.

Members can also contribute to their Basic Benefit, Division C. A member can use this account for the purpose of making additional contributions and rolling over amounts from other super funds. This account is also able to accept government co-contributions and award contributions from employers.

(ii) Pool B Sub-Division - Former Pool B Division "D" members

Employer contributions

Employers contribute on a fully funded basis as determined by the Trustee based on actuarial advice. During the year the employers contributed at a rate of 1.64 times the value of employee contributions. Employers have paid additional contributions based on actuarial recommendations.

Employers also contribute to a member's Basic Benefit, Division C. This employer funded benefit is generally equal to 3% of either the final average salary or final salary (depending on the circumstances of exit) for each year of service (less 15% contributions tax).

Member contributions

Each member contributes on a "rate for age" basis to individual pension units which become available with salary increases. The contribution rate increases according to the age of the member. Members may elect to abandon units where total contributions payable would exceed 6% of salary.

Members can also contribute to their Basic Benefit, Division C. A member can use this account for the purpose of making additional contributions and rolling over amounts from other super funds. This account is also able to accept government co-contributions and award contributions from employers.

12. Members' benefits

	2023 \$'000	2022 \$'000
Defined contribution members' liabilities		
Allocated to members	(82,107,533)	(69,560,223)
Unallocated to members	(10,990)	(6,948)
Defined benefit members' liabilities	(1,142,387)	–
Total members' benefits	(83,260,910)	(69,567,171)

Obligations relating to members' entitlements are recognised as members' liabilities. They are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their membership as at reporting date, subject to preservation requirements.

Notes to the Financial Statements

For the year ended 30 June 2023

12. Members' benefits (continued)

(a) Defined contribution members' liabilities

Defined contribution members' liabilities are measured as the amount of members' account balances as at the end of the reporting period.

Members' account balances are valued by crediting rates determined by the Trustee based on the underlying investment options selected by members.

The defined contribution members bear the investment risk relating to the underlying investment options. Investment option unit prices are updated on a daily basis for movements in investment values.

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

As at 30 June 2023, the net assets attributable to defined contribution members have been substantially allocated. \$10,990,000 (2022: \$6,948,000) has not yet been allocated to defined contribution members' accounts which consists of contributions received by the Fund that have not been able to be allocated as at the end of the reporting period and insurance claims payable which have not been paid from members' accounts.

(b) Defined benefit members' liabilities

The valuation of the defined benefit members' liabilities is undertaken by the RSE actuary ("the Actuary") on an annual basis. Defined benefit members' liabilities are measured

as the amount of investments needed to yield cash flows sufficient to meet accrued benefits as at the date when they are expected to fall due. The amount of accrued benefits has been determined on the basis of the present value of expected future payments with reference to expected future salary levels and by application of a market-based, risk adjusted discount rate and other relevant actuarial assumptions.

Accrued benefits are defined as the benefits the Actuary is obligated to transfer in the future as a result of membership to the end of the reporting period.

The key assumptions used by the Fund's Actuary to determine the values of the accrued benefits are:

- Future rate of investment return/discount rate (net of all fees and taxes) forecast at 5.62% per annum;
- Future rate of salary increases forecast at 3.1% per annum for 2023/24, 3.3% per annum for 2024/25, 3.4% per annum for 2025/26 and then 3.5% per annum thereafter; and
- Future rate of pension/CPI increases forecast at 6.6% per annum for 2023/24 and then 2.5% per annum thereafter.

The Fund's Actuary has used the following movements in the key assumptions to determine the sensitivity in the value of accrued benefits for the reporting period:

- Future rate of investment return: +/-1% per annum
- Future rate of salary increases: +/-1% per annum
- Future rate of CPI: +/-1% per annum

The impact of the sensitivity of accrued benefits as at 30 June 2023 in these key assumptions are shown below:

Assumption	Assumed at reporting date	Sensitivity change	Increase (decrease) in accrued benefits post SFT
Investment return/Discount rate	5.62% pa	+1%/-1% pa	(\$97,191,000)/(\$113,727,000)
Salary increases	3.1% pa	+1%/-1% pa	\$28,043,000/(\$25,760,000)
Pension/ CPI increases	6.6% pa	+1%/-1% pa	\$84,489,000/(\$72,757,000)

The Fund's appointed actuary reports on a quarterly basis on the status of the Vested Benefit Index ("VBI"). The VBI is monitored by Management and the Board against a Shortfall Limit set at 96%. If the VBI falls below 96%, this will trigger a review by the appointed actuary and a report that will set out remedial action and rectification plans as required by APRA Prudential Standard SPS 160 *Defined Benefits*.

The amount of vested benefits attributable to defined benefit members as at 30 June 2023 is \$1,149,150,000.

The Pool B Sub-Division was over funded as at 30 June 2023 as follows:

	Net assets available for defined benefit members \$'000	Actuarial value of accrued benefits for defined members \$'000	Over/(under) funded \$'000
Pool B Sub-Division	1,157,638	1,142,387	15,251

13. Changes in fair value of financial instruments

	2023 \$'000	2022 \$'000
Fund managers' cash and cash equivalents	208,727	103,700
Alternative debt	94,520	2,605
Derivatives	(734,439)	(925,841)
Fixed interest securities	(60,259)	(795,476)
Australian equities	1,682,046	(1,871,185)
International equities	3,368,618	(3,602,497)
Alternative assets	718,688	961,459
Investment property trusts	(162,859)	615,578
Changes in fair value of financial instruments	5,115,042	(5,511,657)

14. Investment expenses

Investment manager fees	(135,946)	(146,079)
Performance fees	(14,017)	(39,393)
Custodian fees	(7,279)	(6,806)
Asset consulting fees	(2,881)	(3,115)
Other investment expenses	(79,532)	(72,617)
Total investment expenses	(239,655)	(268,010)

15. Administration and other operating expenses

Administration expenses	(63,356)	(55,833)
Audit fees	(1,690)	(1,020)
Actuarial fees	(152)	(91)
Marketing and advertising	(25,015)	(22,128)
Trustee fees and reimbursements	(4,851)	(2,750)
Depreciation and amortisation of owned assets	(13,637)	(13,574)
Depreciation of right-of-use assets	(6,873)	(6,780)
Finance costs relating to right-of-use assets	(1,550)	(1,605)
Other operating expenses	(141,989)	(139,026)
Total administration and other operating expenses	(259,113)	(242,807)

16. Auditor's remuneration

During the year the following fees were paid or payable for services provided by Ernst & Young, the RSE auditor of the Fund and its controlled entities:

Audit services for the statutory financial report of the Fund and its controlled entities	642,911	557,950
Assurance services that are required by legislation to be provided by the external auditor	94,374	92,638
Other assurance and agreed-upon-procedures under other legislation or contractual arrangements	237,215	184,965
Other services	271,026	103,142
Total auditor's remuneration	1,245,526	938,695

Notes to the Financial Statements

For the year ended 30 June 2023

17. 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, where its activities are managed. Revenue is predominantly derived from investments, such as interest, distributions and dividends and net changes in the fair value of financial instruments.

18. Financial risk management

Most of the Fund's investments are held on behalf of the Trustee by JPMorgan Chase Bank, National Association (JPM) who act as the Fund's master custodian. To the extent assets are held out of custody, the Trustee ensures appropriate controls are in place to ensure the correct recording of the assets, liabilities, revenues and expenses.

Each investment manager is required to invest the assets managed by it in accordance with the terms of a written mandate or Trust Deed. The Trustee has determined that appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy and outsourcing policy.

The Trustee determines the strategic asset allocations of each of the Fund's investment options. The Trustee receives advice from its investment advisor in making its determination. The asset allocation is reviewed throughout the year in accordance with the Fund's Risk Management Policy, Investment Policy and Procedures Manual.

The Fund's activities expose it to a variety of investment risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund manages these investment risks as part of its overall Risk Management Framework and Investment Governance Framework.

Financial risk management is carried out by the Trustee through the Board and various Committees with advice from external advisors and internal management.

The Fund obtains regular reports from each investment manager on the nature of the investments made on its behalf and the associated risks. The Fund obtains formal Derivative Risk Statements from each manager where available.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include asset allocation modelling, historical stress testing and forward looking scenario testing. The Fund uses a range of qualitative measures of risk when assessing the individual managers' and the Fund's overall investment arrangements.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Changes in market prices are reflected in earnings credited to member's accounts and Fund reserves. Market risk comprises three types of risk: Foreign exchange risk, interest rate risk and price risk.

(i) Foreign exchange risk

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using quantitative and qualitative modelling and sensitivity analysis. The Fund has a Currency Policy. Compliance with the Fund's policy is monitored on a regular basis.

The Fund currently utilises a currency overlay manager to assist with implementation management.

The tables below summarise the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

	US Dollar A\$'000	GB Pound A\$'000	Jap. Yen A\$'000	Euro A\$'000	Other A\$'000	Total A\$'000
30 June 2023						
Net exposure	20,230,219	1,723,523	1,241,939	3,298,893	4,721,663	31,216,237
30 June 2022						
Net exposure	15,499,379	1,488,868	1,196,760	2,592,315	5,589,717	26,367,039

Unsettled sales and purchases, dividends and interest receivable are not included in the net exposure figures shown above.

Foreign exchange contracts are the fair value of the exchange exposure (rather than the market value of the hedged instrument).

Sensitivity analysis

Based on an assessment of historical ranges of currency and one standard deviation expectation an assumption of +/-8.5% (2022: +/-8.5%) has been determined by the investment advisor as an appropriate assumption for this scenario analysis.

An 8.5% strengthening/weakening of the Australian dollar against the following currencies at 30 June 2023 would have (decreased)/increased the net assets available to pay members' liabilities and the net result from superannuation activities by the amounts shown below. The analysis assumes that all other

variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2022. The impact mainly arises from the reasonably possible change in foreign currency rates. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors including the average absolute divergence between the unhedged and hedged MSCI World ex Australian Index annual returns over a 10 year period.

The amounts shown below are on the basis that all other variables remain constant.

	US Dollar A\$'000	GB Pound A\$'000	Jap. Yen A\$'000	Euro A\$'000	Other A\$'000
30 June 2023					
8.50%	(1,584,856)	(135,023)	(97,295)	(258,439)	(369,900)
-8.50%	1,879,310	160,109	115,371	306,455	438,624
30 June 2022					
8.50%	(1,214,237)	(116,639)	(93,755)	(203,085)	(437,904)
-8.50%	1,439,833	138,310	111,174	240,816	519,263

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Fund's exposure to interest rate movements on those investments are as follows:

30 June 2023	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Fund managers' cash and cash equivalents	1,599,574	15,638	8,813,343	10,428,555
Alternative debt	1,401,568	–	–	1,401,568
Derivative assets	51,821	784	194,855	247,460
Fixed interest securities	1,470,138	8,157,352	–	9,627,490
Australian equities	–	–	16,880,516	16,880,516
International equities	–	–	22,977,417	22,977,417
Alternative assets	–	–	14,149,854	14,149,854
Investment property trusts	13,693	–	10,038,655	10,052,348
Totals	4,536,794	8,173,774	73,054,640	85,765,208
Financial liabilities				
Derivative liabilities	(5,699)	(832)	(482,756)	(489,287)
Totals	(5,699)	(832)	(482,756)	(489,287)

Notes to the Financial Statements

For the year ended 30 June 2023

18. Financial risk management (continued)

(ii) Interest rate risk (continued)

30 June 2022	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Fund managers' cash and cash equivalents	1,590,974	804	5,094,355	6,686,133
Alternative debt	19,921	–	1,134,590	1,154,511
Derivative assets	49,516	16,488	464,258	530,262
Fixed interest securities	1,252,969	7,480,086	–	8,733,055
Australian equities	–	–	14,475,430	14,475,430
International equities	–	–	19,313,548	19,313,548
Alternative assets	–	–	12,076,600	12,076,600
Investment property trusts	8,822	–	9,012,249	9,021,071
Totals	2,922,202	7,497,378	61,571,030	71,990,610
Financial liabilities				
Derivative liabilities	(73,571)	(10,435)	(985,994)	(1,070,000)
Totals	(73,571)	(10,435)	(985,994)	(1,070,000)

Sensitivity analysis

Based on an assessment of historical movements in cash and bond rates over rolling 1 year periods, an assumption of +0.95% or -0.95% variable volatility factor has been determined by the Fund's investment advisor as the appropriate assumption for this scenario analysis. A change of +0.95% (2022: +0.95%) in interest rates with all other variables remaining constant would have decreased the Fund's operating result and net assets available for members' benefits by \$120,688,352 (2022: \$98,187,841). A change of -0.95% (2022: -0.60%) in interest rates with all other variables remaining constant would have increased the operating result and net assets available for members' benefits by \$120,688,352 (2022: \$88,217,737). The analysis is performed on the same basis for 2022. The impact mainly arises from the reasonably possible change in interest rates on the fair value of fixed and floating interest securities.

(iii) Price risk

Price risk is the risk that the total value of instruments will fluctuate as a result of changes in the market prices, whether caused by factors specific to an individual instrument, its issuer or all factors affecting all similar instruments traded in the market.

The Fund is exposed to equity securities and derivative securities price risk. This arises from investments held by

the Fund for which prices in the future are uncertain.

Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. The securities are classified on the Statements of Financial Position at fair value. All securities investments present a risk of loss of capital. The maximum risk is determined by the fair value of the financial instruments.

Price risk is minimised through diversification and ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies and through robust due diligence processes. Internal and external investment manager mandate compliance is monitored by internal management and the custodian, and performance reports against benchmark are reported on a regular basis to the Investment Committee.

Sensitivity analysis is based on analysis of historical data in respect of asset class returns and using this analysis to formulate expected future ranges of returns, the investment advisor has determined that the following assumptions below are based on an expected range of outcomes with a +/- 1% standard deviation.

30 June 2023	Carrying amount \$'000	Volatility factor minimum %	Volatility factor maximum %	Decrease in net assets \$'000	Increase in net assets \$'000
Financial assets					
Fund managers' cash and cash equivalents	10,428,555	2.5%	3.5%	260,714	364,999
Alternative debt	1,401,568	0.5%	7.5%	7,008	105,118
Fixed interest securities	9,627,490	0.5%	7.5%	48,137	722,062
Australian equities	16,880,516	-8.5%	24.5%	(1,434,844)	4,135,726
International equities	22,977,417	-7.5%	21.0%	(1,723,306)	4,825,258
Alternative assets	14,149,854	1.0%	13.0%	141,499	1,839,481
Investment property trusts	10,052,348	-2.5%	16.0%	(251,309)	1,608,376
Totals	85,517,748			(2,952,101)	13,601,020
30 June 2022	Carrying amount \$'000	Volatility factor minimum %	Volatility factor maximum %	Decrease in net assets \$'000	Increase in net assets \$'000
Financial assets					
Fund managers' cash and cash equivalents	6,686,133	2.5%	3.5%	167,153	234,015
Alternative debt	1,154,511	0.5%	7.5%	5,773	86,588
Fixed interest securities	8,733,055	0.5%	7.5%	43,665	654,979
Australian equities	14,475,430	-8.5%	24.5%	(1,230,412)	3,546,480
International equities	19,313,548	-7.0%	21.5%	(1,351,948)	4,152,413
Alternative assets	12,076,600	1.0%	12.5%	120,766	1,509,575
Investment property trusts	9,021,071	-2.5%	16.0%	(225,527)	1,443,371
Totals	71,460,348			(2,470,530)	11,627,421

(b) Credit risk

Credit risk is the risk that one party to a financial investment will cause financial loss for the other party by failing to discharge an obligation. Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents.

The Fund invests in debt securities, provides direct loans and lends securities secured by collateral which carry credit risk. The Fund employs investment managers to manage the securities within approved credit limits within their mandate. Compliance of managers with their mandates is monitored by internal management and the Fund's custodian.

The Fund does not have any significant exposure to any individual counterparty or industry and assets are invested by individual investment managers and in specific investment trusts and investment linked insurance policies.

The Fund permits (within the limitations prescribed in the respective investment mandate) that internal and external investment managers may utilise derivatives such as forward foreign exchange contracts to gain access to, and allow flexibility in, the financial markets in order to manage and structure the Fund's investment portfolio in line with the Fund's investment strategy.

The Fund restricts its exposure to credit losses on the trading of derivative instruments it holds by entering into master netting arrangements as set out in Note 18(d).

Notes to the Financial Statements

For the year ended 30 June 2023

18. Financial risk management (continued)

(b) Credit risk (continued)

The fair value of financial assets included in the Statements of Financial Position represent the Fund's exposure to credit risk in relation to those assets. An analysis of debt securities by rating is set out in the tables below.

Rating	2023 \$'000	2022 \$'000
AAA to AA-	6,431,492	6,042,369
A+ to A-	158,589	122,339
BBB+ to BBB-	412,918	359,554
Below BBB-	851,102	771,368
No Rating	13,361,685	8,738,331
Total	21,215,786	16,033,961

The Fund has updated the presentation of amounts in the credit risk management disclosure to incorporate fund managers' cash and cash equivalents, alternative debt, derivative securities and fixed interest portfolios to provide financial statement users with a more complete understanding of the Fund's credit risk exposures.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising cash to meet commitments associated with members' liabilities or is unable to maintain the targeted risk and return allocation. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the Fund invests the majority of its assets in financial instruments, which under normal market conditions are readily convertible to cash.

The Fund limits the allocation of cash and ensures that the allocation is consistent with the investment objectives and the Fund's expected demographic profile and net cash flows. The Fund's relatively young membership profile coupled with the bulk of its assets being invested in highly liquid asset classes allows the Fund to tolerate an exposure to assets with lower levels of inherent liquidity (e.g. property and infrastructure investments) in an expectation of higher risk adjusted investment returns in the longer term.

The tables below analyse the contractual maturities of the Fund's liabilities, based on the remaining period to the contractual maturity date at the year end.

30 June 2023	Carrying amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	> 12 months \$'000
Payables	(144,742)	(144,742)	–	–	–
Financial liabilities	(489,287)	(187,586)	(201,427)	(95,323)	(4,951)
Members' benefits	(83,260,910)	(83,260,910)	–	–	–
Lease liabilities	(62,254)	–	–	(86)	(62,168)

30 June 2022	Carrying amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	> 12 months \$'000
Payables	(133,505)	(133,505)	–	–	–
Financial liabilities	(1,070,000)	(391,781)	(336,666)	(325,918)	(15,635)
Members' benefits	(69,567,171)	(69,567,171)	–	–	–
Lease liabilities	(66,559)	–	–	(51)	(66,508)

Members' benefits have been included in the "Less than 1 month" column above as this is the amount that members could call upon as at year end.

The tables below analyse the contractual maturities of the Fund's derivative financial instruments that will be settled on a gross basis, based on the remaining period to the contractual maturity date at the year end.

30 June 2023	Carrying amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	> 12 months \$'000
Financial assets					
Inflows	18,989,257	6,637,275	5,985,689	6,322,625	43,668
(Outflows)	(19,478,544)	(6,824,861)	(6,187,116)	(6,417,948)	(48,619)
Total	(489,287)	(187,586)	(201,427)	(95,323)	(4,951)
30 June 2022	Carrying amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	> 12 months \$'000
Financial liabilities					
Inflows	28,770,876	7,378,041	10,108,756	11,217,759	66,320
(Outflows)	(29,840,876)	(7,769,822)	(10,445,422)	(11,543,677)	(81,955)
Total	(1,070,000)	(391,781)	(336,666)	(325,918)	(15,635)

(d) Derivatives

Derivative financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle transactions on a net basis, or realise the asset and settle the liability simultaneously.

Fund managers enter into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. Under such arrangements derivative financial assets and liabilities could potentially be offset at the counterparty level under certain circumstances such as default. The amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency would be aggregated into a single net amount payable by one party to the other and the relevant arrangements terminated. The ISDA agreements do not meet the criteria for offsetting in the Statement of Financial Position as the Fund does not have a legally enforceable right of set-off.

Notes to the Financial Statements

For the year ended 30 June 2023

18. Financial risk management (continued)

(e) Environmental, social and governance

The Fund has a duty to act in the best financial interest of our members. The Fund believe companies that actively manage material* environmental, social and governance (ESG) risks and opportunities are likely to generate better risk-adjusted long term returns for our members.

Responsible investment is one component of the Fund's investment model, and the Fund's approach is guided by our Investment Governance Framework and the Responsible Investment (RI) Policy. The RI Policy is reviewed every three years by the Investment Committee.

Climate change is a complex environmental and social issue that will increasingly impact the global economy over time and as such the Fund has developed a Climate Change Position Statement and Climate Change Roadmap to help guide the integration of climate change risks and opportunities within the broader investment framework. The Fund has set goals of net zero by 2050 and aims to contribute to a 45% reduction in real world emissions by 2030. These goals currently cover over 70% of the Fund's investment portfolio including listed equities, property, infrastructure and a subset of listed credit instruments and work will continue to expand the boundary of these targets to include additional asset classes.

The Fund seeks to apply responsible investment considerations including climate change across our investment options by:

- Integrating responsible investment into direct investment decisions and when selecting, appointing and monitoring external fund managers. Both internal and external fund managers are expected to integrate material ESG risks and opportunities into their investment-decision making process;
- Including responsible investment outcomes in the annual reviews for the Fund's investment team;
- Undertaking annual exposure analysis and incorporating modern slavery considerations into due diligence and monitoring to meet the Fund's obligations under the Modern Slavery Act 2018;
- Whilst our primary approach to responsible investment is through ESG integration, there are occasions where we consider investment in particular companies and industries to be incompatible with the long-term requirements of our members;
- The Fund may also employ investment mandate limitations to some index-based emerging market portfolios where we have limited ability to engage and influence companies with very poor ESG practices. Our current approach for these investment mandates excludes companies that have attracted the Sustainalytics highest controversy rating of "Severe" for a period of at least 12 months, with this list being reviewed annually;

- Being a responsible steward. The Fund engages with companies we invest in and uses the Fund's voting rights at company meetings to improve disclosures and to encourage more responsible practices, where financially material to business outcomes;
- The Fund is an active participant in dedicated engagement forums for example the Australian Council of Super Investors (ACSI) Rights and Cultural Heritage Risk Management Working Group; Climate Action 100+ and Investors Against Slavery and Trafficking Asia Pacific (IAST APAC); and
- Advocating for change. As a large and growing superannuation fund, the Fund participates in collective initiatives to help address systemic risks, such as climate change, for example through participation in the Australian Sustainable Finance Institute (ASFI) and Investor Group on Climate Change (IGCC).

As a signatory to the Australian Asset Owners Stewardship Code (The Code), the Fund supports the principles and guidance outlined in the Code which are designed to raise the transparency and accountability of voting, engagement, advocacy and oversight of manager's stewardship practices. The Fund has produced a stewardship statement for public disclosure in compliance with the Code.

The Fund is also a signatory to the Principles for Responsible Investment (PRI), which establish a collective international framework for institutional investors to integrate ESG risks and opportunities into their investment decision-making.

Additionally, the Fund is involved in collaborative efforts to support the UN Sustainable Development Goals (SDGs). The Fund is an active subscriber to the SDI AOP (Sustainable Development Investments Asset Owner Platform), which aims to maintain a standardised taxonomy and increase the quality of data available to investors for the purpose of linking investment activities to SDGs, engaging on SDG alignment and monitoring external managers.

* Material ESG risks and opportunities are those that are highly likely to affect business or investment performance.

** The Fund currently uses Morningstar Inc. Sustainalytics platform data for this purpose.

19. Fair value hierarchy

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets/liabilities at fair value through profit or loss (refer to Note 5)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy

(i) Classification of financial assets and financial liabilities

The Fund classifies fair value measurements of financial instruments using a hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. These inputs are readily available in the market and are normally obtainable from multiple sources;

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). These inputs must be observable for substantially the full term of the financial instrument;
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This includes any instruments that are not categorised in Level 1 or Level 2. The levels in the fair value hierarchy to which instruments are being classified, are determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is determined to be a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the instrument being classified.

Recognised fair value measurements

The following tables present the Fund's financial assets and liabilities measured and recognised at fair value.

(i) Classification of financial assets and financial liabilities

30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Fund managers' cash and cash equivalents	–	10,428,555	–	10,428,555
Alternative debt	–	1,401,568	–	1,401,568
Derivative assets	–	247,460	–	247,460
Fixed interest securities	–	9,627,490	–	9,627,490
Australian equities	16,868,729	–	11,787	16,880,516
International equities	22,976,998	–	419	22,977,417
Alternative assets	412,555	1,522,835	12,214,464	14,149,854
Investment property trusts	1,868,089	–	8,184,259	10,052,348
Total	42,126,371	23,227,908	20,410,929	85,765,208
Financial liabilities				
Derivative liabilities	–	(489,287)	–	(489,287)
Total	–	(489,287)	–	(489,287)

Notes to the Financial Statements

For the year ended 30 June 2023

19. Fair value hierarchy (continued)

(a) Fair value hierarchy (continued)

(i) Classification of financial assets and financial liabilities (continued)

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Fund managers' cash and cash equivalents	–	6,686,133	–	6,686,133
Alternative debt	–	1,154,511	–	1,154,511
Derivative assets	–	530,262	–	530,262
Fixed interest securities	–	8,733,055	–	8,733,055
Australian equities	14,472,508	769	2,153	14,475,430
International equities	19,312,063	504	981	19,313,548
Alternative assets	296,491	980,610	10,799,499	12,076,600
Investment property trusts	1,667,530	–	7,353,541	9,021,071
Total	35,748,592	18,085,844	18,156,174	71,990,610
Financial liabilities				
Derivative liabilities	–	(1,070,000)	–	(1,070,000)
Total	–	(1,070,000)	–	(1,070,000)

(ii) Transfers between levels

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(b) Valuation techniques used to derive Level 2 and Level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter-derivatives) is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Fund specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for the Fund's alternative assets and investment property trusts.

(c) Fair value measurement using significant unobservable inputs (Level 3)

The following tables present the movement in Level 3 instruments.

30 June 2023	Australian equities \$'000	International equities \$'000	Alternative assets \$'000	Investment property trusts \$'000	Total \$'000
Opening balance	2,153	981	10,799,499	7,353,541	18,156,174
Purchases	4,957	19,301	1,132,340	1,532,133	2,688,731
Sales	(738)	(23,569)	(229,886)	(215,626)	(469,819)
Transfers into/(out of) from Level 3	5,681	–	(134,860)	(65,886)	(195,065)
Gains and losses recognised in profit or loss	(266)	3,706	647,371	(419,903)	230,908
Closing balance	11,787	419	12,214,464	8,184,259	20,410,929
Total unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	(401)	2,727	646,429	(419,410)	229,345

30 June 2022	Australian equities \$'000	International equities \$'000	Alternative assets \$'000	Investment property trusts \$'000	Total \$'000
Opening balance	2,157	3,324	8,471,353	5,311,261	13,788,095
Purchases	8,285	138,845	1,333,081	4,408,511	5,888,722
Sales	(2,505)	(1,434)	(431,868)	(2,960,647)	(3,396,454)
Transfers into/(out of) from Level 3	557	807	977,960	163,769	1,143,093
Gains and losses recognised in profit or loss	(6,341)	(140,561)	448,973	430,647	732,718
Closing balance	2,153	981	10,799,499	7,353,541	18,156,174
Total unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period	(6,463)	(138,181)	464,763	430,647	750,766

Notes to the Financial Statements

For the year ended 30 June 2023

19. Fair value hierarchy (continued)

(c) Fair value measurement using significant unobservable inputs (Level 3)

(i) Changes in valuation techniques

There have been no changes to asset valuation techniques during the year.

(ii) Valuation inputs and relationships to fair value

The Fund's Level 3 fair value investments comprise investments in delisted or suspended Australian and International equities, unlisted alternative investment assets and investment properties.

The significant unobservable inputs used in Level 3 fair value measurements are summarised below:

Description	Fair value as at 30 June 2023 (\$'000)	Fair value as at 30 June 2022 (\$'000)	Valuation technique	Key unobservable inputs*	Range of inputs (Weighted average) 2023	Range of inputs (Weighted average) 2022
Australian equities	11,787	2,153	Stock Exchange	Last Traded Price	\$0 - \$2.55 (\$1.14)	\$0 - \$0.78 (\$0.75)
	11,787	2,153				
International equities	419	981	Stock Exchange	Last Traded Price	\$0 - \$114.05 (\$114.05)	\$0 - \$1.68 (\$1.53)
	419	981				
Alternative assets	314,641	284,127	External Fund Managers' Unitholder Statement	Redemption Unit Price	\$1.94 - \$1.94 (\$1.94)	\$1.76 - \$1.76 (\$1.76)
	-	8,604	Independent Valuation	Price of Similar Artwork/ Auction Estimates	-	\$150 - \$1,000,000 (\$240,958)
	11,899,823	10,506,768	Partner Capital Statements	Net Asset Value	\$0 - \$2,380.2m (\$1,244.2m)	\$0 - \$2,120.2m (\$1,068.6m)
	12,214,464	10,799,499				
Investment property trusts	8,184,259	7,353,541	Net Assets Valuation	Net Asset Value	\$0 - \$1,613.9m (\$1,000.7m)	\$0 - \$1,704.6m (\$1,043.7m)
	8,184,259	7,353,541				

* There were no significant inter-relationships between unobservable inputs that may materially affect the fair values.

An increase in the key unobservable inputs described above will result in an increase in the fair value of the financial instruments classified as Level 3.

20. Controlled entities

The Fund's exposure to the fair value of investments held in controlled entities and commitments to these entities are shown below:

30 June 2023	No.	Fair value \$'000	Commitments \$'000
Asset class			
Internally managed investment property trusts	14	4,375,094	780,000
Alternative assets	5	1,444,011	398,725
Total	19	5,819,105	1,178,725
30 June 2022			
Asset class			
Internally managed investment property trusts	14	4,123,459	285,209
Alternative assets	5	1,339,538	354,860
Total	19	5,462,997	640,069

The Fund has control or significant influence of the following controlled entities:

Name of entity	Equity holding		Value	
	2023 %	2022 %	2023 \$'000	2022 \$'000
Internally managed Cbus properties				
313 Spencer Street Holding Unit Trust	100	100	215,874	233,937
447 Collins Street Holdings Unit Trust	100	100	282,186	290,741
Cbus Property Commercial Unit Trust	100	100	1,752,739	1,653,653
Cbus Property Developments No.2 Pty Ltd	100	100	–	–
Cbus Property Developments Unit Trust	100	100	196	175
Cbus Property Group Funding Unit Trust	100	100	13,693	8,822
Cbus Property Hospitality Unit Trust*	100	100	–	–
Cbus Property Industrial Unit Trust	100	100	–	–
Cbus Property Pty Ltd	100	100	(4,521)	(7,476)
Cbus Property Residential Operations Unit Trust	100	100	873,612	735,695
Cbus Property Retail Unit Trust	100	100	834,381	738,717
George Street Holding Unit Trust*	100	100	–	–
SESP No.1 Unit Trust	100	100	406,756	468,694
USI (Breakfast Point) Pty Ltd	100	100	178	501
Total			4,375,094	4,123,459
Internally managed Australian infrastructure investments				
Cbus AI (Port) Trust	100	100	70,281	65,657
Cbus Forth Ports Trust	100	100	557,697	450,733
Cbus Infrastructure Holding Trust	100	100	142,514	142,854
Total			770,492	659,244
Internally managed Australian private equity				
USAM Investments Pty Ltd	100	100	170	255
ROC Cbus Private Equity Trust	100	100	673,349	680,039
Total			673,519	680,294
Total combined			5,819,105	5,462,997

* These trusts are inactive at reporting date.

Notes to the Financial Statements

For the year ended 30 June 2023

20. Controlled entities (continued)

The table below summarises the financing obligations of Cbus Property's internally managed property trusts. These borrowings are not the Fund's direct obligations.

Current liabilities	2023 \$'000	2022 \$'000
Cbus Property Commercial Unit Trust		
CBA Bank Loan - Cbus Property Finance Pty Ltd	–	145,000
CBA Bank Loan - 311 Spencer Street Unit Trust	–	170,000
CBA Bank Loan - Melbourne Q Unit Trust	107,861	–
CBA Bank Loan - Pirie Street Unit Trust	–	72,531
ANZ Bank Loan - 205 North Quay Unit Trust	41,534	–
Total	149,395	387,531
Cbus Property Residential Operations Unit Trust		
NAB Bank Loan - Brisbane Unit Trust	–	82,825
ANZ Bank Loan - 13 Spring Street (Land) Unit Trust	–	91,357
NAB Bank Loan - Cbus Property R3 Pty Ltd	104,000	–
Total	104,000	174,182
Non-current liabilities		
Cbus Property Commercial Unit Trust		
CBA/NAB/ANZ/ING Bank Loan - Cbus Property Finance Pty Ltd	880,000	645,000
CBA Bank Loan - Melbourne Q Unit Trust	–	107,861
Syndicated NAB Bank Loan - Cbus Property 311 Spencer Street Finance Pty Ltd	170,000	–
ANZ Bank Loan - Circular Quay Developments 2015 Unit Trust	63,926	42,801
Total	1,113,926	795,662
Cbus Property Residential Operations Unit Trust		
ANZ Bank Loan - Sydney Residential 2015 Unit Trust	–	84,236
ANZ Bank Loan - Vision 2016 Unit Trust	60,334	26,220
NAB Bank Loan - Vision Two 2021 Unit Trust	15,403	186
NAB Bank Loan - Cbus Property R3 Pty Ltd	–	100,524
Total	75,737	211,166
447 Collins Street Holdings Unit Trust		
Clean Energy Finance Corporation Bank Loan - 447 Collins Street Unit Trust	100,000	100,000
Total borrowings	1,543,058	1,668,541

21. Related parties

(a) Trustee

United Super Pty Ltd (USPL) is the Trustee of the Fund.

The Trustee Company holds an Australian Financial Services Licence and a Registrable Superannuation Entity Licence.

A Trustee fee is paid to USPL for services provided to the Fund in accordance with the Trust Deed.

Amounts paid and payable to the Trustee in forms of fees and reimbursements during the financial year are disclosed in Note 15 and total \$4,850,529 (2022: \$2,750,218). As at 30 June 2023, \$452,163 (2022: \$1,203,367) was payable to the trustee and is included in payables in the Statement of Financial Position.

(b) Directors

Key Management Personnel (KMP) include persons who were directors of the Trustee at any time during the financial year and up to the date of this report.

The directors' remuneration paid and payable during the financial year is set out in the following tables:

Year ended 30 June 2023

Name	Director fee \$	Superannuation \$	Total \$	Fees paid to
M Beveridge	112,154	11,802	123,956	Director
H Davis	107,387	11,336	118,723	Director
A Devasia ⁴	50,368	5,327	55,695	AMWU
A Donnellan ²	33,817	3,551	37,368	Director
A Donnellan ²	19,058	2,001	21,059	AMWU
S Dunne ¹	171,735	18,122	189,857	Director
J Edwards	147,130	15,499	162,629	Director
R Mallia ¹	109,648	11,576	121,224	CFMEU
A Milner ¹	111,989	11,797	123,786	Director
D Noonan ^{1,5}	29,581	3,167	32,748	Director
F O'Grady ^{1,3}	71,652	7,523	79,175	Director
J O'Mara ¹	114,818	12,104	126,922	CFMEU
E Setches ¹	81,037	8,557	89,594	CEPU
R Sputore ¹	125,847	13,275	139,122	Director
W Swan	199,020	20,980	220,000	Director
D Wawn ¹	99,622	10,499	110,121	MBA
M Zelinsky	45,914	4,821	50,735	AWU
M Zelinsky	56,295	5,962	62,257	Director
Total	1,687,072	177,899	1,864,971	

¹ Member of the Fund

² Director (resigned 12 December 2022)

³ Director (resigned 31 March 2023)

⁴ Director (appointed 1 January 2023)

⁵ Director (appointed 1 April 2023)

Notes to the Financial Statements

For the year ended 30 June 2023

21. Related parties (continued)

(b) Directors (continued)

Year ended 30 June 2022

Name	Director fee \$	Superannuation \$	Total \$	Fees paid to
M Beveridge ⁵	50,482	5,048	55,530	Director
S Beynon ^{1,2}	8,545	854	9,399	Director
S Bracks ⁴	100,000	10,000	110,000	Director
H Davis	95,984	9,598	105,582	Director
A Donnellan	76,111	7,611	83,722	AMWU
S Dunne ¹	187,194	18,719	205,913	Director
J Edwards	119,267	11,927	131,194	Director
K Keys ²	17,995	1,799	19,794	Director
R Mallia ¹	77,621	7,762	85,383	CFMEU
A McDonald ^{1,3}	57,973	5,797	63,770	Director
A Milner ¹	81,079	8,108	89,187	Director
D Noonan ^{1,4}	58,952	5,895	64,847	CFMEU
F O'Grady ¹	76,111	7,611	83,722	Director
J O'Mara ^{1,6}	47,992	4,799	52,791	CFMEU
E Setches ¹	82,528	8,253	90,781	CEPU
R Sputore ¹	88,532	8,853	97,385	Director
W Swan ⁶	100,000	10,000	110,000	Director
D Wawn ¹	87,290	8,729	96,019	MBA
M Zelinsky	64,993	6,499	71,492	AWU
Total	1,478,649	147,862	1,626,511	

¹ Member of the Fund

² Director (resigned 31 August 2021)

³ Director (resigned 16 December 2021)

⁴ Director (resigned 31 December 2021)

⁵ Director (appointed 17 December 2021)

⁶ Director (appointed 1 January 2022)

Certain directors are members of the Fund. Their membership terms and conditions are the same as those available to other members of the Fund.

(c) Other KMP

Other KMP include the Chief Executive Officers of the Fund as follow:

Name	Role
J Arter	Chief Executive Officer (up to 29 March 2023)
K Fok	Chief Investment Officer (up to 29 March 2023). Acting Chief Executive Office (from 30 March 2023 until 12 June 2023). Chief Executive Office (appointed 13 June 2023)

During the year, Mr K Fok purchased a Cbus Property apartment under normal terms and conditions.

(d) Remuneration of KMP

Remuneration of KMP is set out in the following table:

	2023 \$	2022 \$
Short-term employee benefits	1,010,000	1,103,663
Post-employment benefits	27,500	27,500
Other long-term benefits	41,282	68,803
Total	1,078,782	1,199,966

Short-term employee benefits include cash salary, annual leave, lump-sum payments and other monetary benefits. Post-employment benefits relate to superannuation benefits. Other long-term benefits relate to long service leave entitlements and deferred Investment Performance Plan payments.

(e) Controlled entities

Disclosures relating to controlled entities are set out in Note 20.

(f) Related party investments and transactions

The Fund's investment assets are held custodially on behalf of USPL as Trustee for the Fund. Details of the Fund's related party investments and transactions are listed below.

(i) Frontier Advisors Pty Ltd (Frontier)

The Fund held 31.0% (2022: 31.0%) shareholding in Frontier valued at \$2,204,100 (2022: \$2,204,100). Frontier provides investment consulting services to the Fund and other institutional clients. During the year, the Fund paid Frontier investment consulting fees of \$2,757,946 (2022: \$3,209,764) on normal terms and conditions.

Mr J Edwards is a director of Frontier and director fees of \$16,505 (2022: \$16,104) were paid during the year by Frontier.

(ii) Sponsoring organisations

Marketing and promotion of the Fund includes partnership arrangements with the Fund's member and employer sponsoring organisations. The Fund invests in industry partnership arrangements that deliver effective and strategic benefits that outweigh the cost of these arrangements through growth of the level of employer/member support of the Fund, strengthening of the Fund's brand identity, awareness and image and support of the Building and Construction Industry. All proposed partnership arrangements are assessed to ensure they are in the best financial interest of members. The amounts below include payments for partnership agreements to the Fund's seven sponsoring organisations.

	2023 \$	2022 \$
Partnership agreements		
Employer	454,308	461,189
Member	1,615,641	1,411,659
Total	2,069,949	1,872,848

(iii) Rental payments for commercial office spaces

The following rental payments for commercial office spaces were made to the following related parties:

	2023 \$	2022 \$
Cbus Property 50 Flinders Street Pty Ltd	99,333	96,321
Construction Forestry Mining & Energy Industrial Union of Employees - Queensland	20,691	22,572
Total	120,024	118,893

Notes to the Financial Statements

For the year ended 30 June 2023

21. Related parties (continued)

(g) Other related entities

(i) Cbus Property Pty Ltd (Cbus Property)

Cbus Property is a 100% held subsidiary of the Fund and manages a portfolio of the Fund's directly held property assets. It invests in direct property investments in Australia in accordance with the Investment Management Agreement between Cbus Property and the Fund. Cbus Property does not have ownership of any direct property assets.

Ms M Beveridge, Mr H Davis and Mr D Noonan are Directors of Cbus Property. Cbus Property makes provision for payment of Directors fees as follows:

	2023 \$	2022 \$
Short-term employee benefits	301,346	409,602
Post-employment benefits	31,641	40,960
Total	332,987	450,562

The above compensation payments include directors' fees paid directly to the Fund's sponsoring organisations.

The Fund paid a total amount of \$26,964 (2022: \$283,178) for investment and regulatory related advice. During the year ended 30 June 2022, the Fund received a total amount of \$140,955 (2023: \$nil), from Cbus Property Group Funding Pty Ltd, a wholly owned subsidiary of Cbus Property, for a co-branded marketing campaign services.

All transactions were made on normal terms and conditions.

(ii) USAM Investments Pty Ltd (USAM)

USAM Investments Pty Ltd is a 100% held subsidiary of the Fund. It is envisaged that at a future Board meeting of USPL, USAM will be reclassified as a non-strategic holding and its designation will be a special purpose vehicle, as required to hold the Fund's investments.

Mr S Dunne (resigned 21 September 2022) and Mr D Noonan (resigned 22 September 2022) are directors of USAM and director fees of \$80,561 (2022: \$288,575) were paid or payable during the period by USAM.

22. Insurance arrangements

The Fund provides income protection, death and disability benefits to its members. The Trustee has group policies in place with third party insurance companies to insure these death and disability benefits for the members of the Fund. The Trustee acts as an agent for these arrangements.

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

23. Matters subsequent to the end of the financial year

There have been no matters or circumstances which have arisen that have significantly affected or may significantly affect the financial position or operating results of the Fund.

24. Contingent assets, contingent liabilities and commitments

Investment commitments

The Fund has made commitments to invest in certain financial assets. Significant investment commitments contracted for at the end of the reporting period but not recognised as assets are as follows:

	2023 \$	2022 \$
Alternative debt	36,685,087	34,000,433
Alternative assets	2,582,142,836	1,460,232,667
Investment property trusts	1,000,451,188	305,425,703
Total	3,619,279,111	1,799,658,803

There were no other contingent assets, contingent liabilities or commitments as at 30 June 2023.

Trustee's Declaration

In the opinion of the directors of the Trustee of Construction and Building Unions Superannuation Fund:

(a) the accompanying financial statements and notes set out on pages 1 to 35 are in accordance with:

- (i) Australian Accounting Standards (including interpretations) and other mandatory professional reporting requirements, and
- (ii) present fairly the Fund's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

(b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and Regulations; the relevant requirements of the Corporations Act 2001 and Regulations; the requirements under section 13 of the Financial Sector (Collection of Data) Act 2001 during the year ended 30 June 2023; and

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

Signed in accordance with a resolution of the Board of Directors of United Super Pty Ltd as Trustee for the Construction and Building Unions Superannuation Fund.



Director



Director

Melbourne

19 September 2023



**Building a better
working world**

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Construction and Building Unions Superannuation Fund
ABN 75 493 363 262

Report by the RSE Auditor to the trustee

Opinion

I have audited the financial statements of Construction and Building Unions Superannuation Fund for the year ended 30 June 2023 comprising the statement of financial position, income statement, statement of changes in member benefits, statement of cash flows and statement of changes in equity/reserves.

In my opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Construction and Building Unions Superannuation Fund as at 30 June 2023 and the results of its operations, cash flows, changes in equity/reserves and changes in members' benefits for the year ended 30 June 2023.

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 for the Audit of the Financial Statements* section of my report. I am independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statements in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Trustee for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



Luke Slater
Partner
Melbourne
19 September 2023

