Aware Super

ABN 53 226 460 365
Financial Report
For the year ended 30 June 2023

Contents

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Quay Quarter Tower
50 Bridge Street
Sydney NSW 2000
Australia

Tel: +61 (0) 2 9322 7000
www.deloitte.com.au

For a Reporting Entity
Aware Super (ABN: 53 226 460 365)
Report by the RSE Auditor to the Trustee and Members

Opinion

We have audited the financial statements of Aware Super ('RSE') for the year ended 30 June 2023 comprising the Statement of Financial Position, Income Statement, Statement of Changes in Member Benefits, Statement of Changes in Equity/Reserves, Statement of Cash Flows and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of Aware Super 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

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

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

Responsibilities of the trustee for the Financial Statements

The RSE's trustee ('Aware Super Pty Ltd') 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 cease operations, or has no realistic alternative but to do so.

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, we exercised professional judgement and maintained professional scepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 we identified during our audit.
- Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Frances Borg

Frances Borg
Partner
Chartered Accountants
Sydney, 22 September 2023

Trustee’s Statement

For the year ended 30 June 2023

In the opinion of the Directors of Aware Super Pty Ltd (“the Trustee”) which is the trustee of Aware Super (“the Fund”):

1. The accompanying financial statements of Aware Super are properly drawn up so as to present fairly the statement of financial position of the Fund as at 30 June 2023, the income statement for the year ended 30 June 2023, and the statements of changes in member benefits, changes in equity/reserves and cash flows for the year ended on that date; and

2. The accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia.

Signed in accordance with a resolution of the Board of Directors of Aware Super Pty Ltd (ABN 11 118 202 672).

Signed at Sydney this 22nd day of September 2023.

Director
Aware Super Pty Ltd

Director
Aware Super Pty Ltd

Statement of Financial Position

as at 30 June 2023

	Note	2023 $'m	2022 $'m
Assets			
Cash and cash equivalents	**3(a)**	**591**	689
Receivables	**3(b)**	**1,064**	1,262
Financial assets	**4**	**161,604**	147,050
Investment in service entities	**6**	**25**	23
Property and equipment	**7**	**109**	129
Intangible assets	**8**	**158**	79
Current tax receivable	**9(d)**	**297**	102
Total assets		**163,848**	149,334
Liabilities			
Payables	**10**	**634**	1,375
Financial liabilities	**4**	**197**	1,484
Deferred tax liabilities	**9(e)**	**1,645**	661
Total liabilities excluding member benefits		**2,476**	3,520
Net assets available for member benefits		**161,372**	145,814
Defined contribution member liabilities	**13**	**158,930**	144,111
Defined benefit member liabilities	**14**	**1,004**	981
Total member liabilities		**159,934**	145,092
Net assets		**1,438**	722
Equity			
Reserves		**1,421**	614
Defined benefit surplus	**14**	**17**	108
Total equity		**1,438**	722

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

Income Statement

For the year ended 30 June 2023

	Note	2023 $'m	2022 $'m
Investment revenue			
Interest		**1,039**	548
Dividends		**3,053**	3,198
Distributions from unit trusts		**2,060**	1,937
Changes in fair value of investments	**11(a)**	**9,013**	(11,703)
Other income		**109**	78
Total revenue		**15,274**	(5,942)
Investment expenses	**11(b)**	**(483)**	(470)
Administration expenses	**11(c)**	**(326)**	(338)
Total expenses		**(809)**	(808)
Operating results before income tax expense		**14,465**	(6,750)
Income tax (expense)/benefit	**9(a)**	**(769)**	1,159
Operating results after income tax expense		**13,696**	(5,591)
Net (benefits)/loss allocated to defined contribution member accounts		**(12,868)**	4,928
Net change in defined benefit member benefits		**(21)**	36
Operating results		**807**	(627)

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

Statement of Changes in Member Benefits

For the year ended 30 June 2023

	Defined Contribution Member Benefits $'m	Defined Benefit Member Benefits $'m	Totals $'m
Opening balances as at 1 July 2021	145,663	1,043	146,706
Employer contributions	6,847	6	6,853
Member contributions	2,688	4	2,692
Movement in unallocated contributions	31	-	31
Transfer from VISSF (Note 1.1)	820	26	846
Transfers from other superannuation funds	3,173	-	3,173
Superannuation co-contributions	29	-	29
Income tax on contributions	(1,019)	(1)	(1,020)
Net after tax contributions	12,569	35	12,604
Benefit payments to members or beneficiaries	(8,480)	(62)	(8,542)
Insurance premiums charged to members' accounts	(669)	-	(669)
Financial advice fees deducted from members' accounts	(44)	-	(44)
Reserves transferred to members	-	1	1
Net loss allocated to members	(4,928)	-	(4,928)
Net change in defined benefit member benefits	-	(36)	(36)
Closing balances as at 30 June 2022	144,111	981	145,092
Opening balances as at 1 July 2022	**144,111**	**981**	**145,092**
Employer contributions	**7,558**	**(3)**	**7,555**
Member contributions	**3,140**	**4**	**3,144**
Movement in unallocated contributions	**69**	**-**	**69**
Transfers from other superannuation funds	**2,784**	**1**	**2,785**
Superannuation co-contributions	**31**	**-**	**31**
Income tax on contributions	**(1,114)**	**(1)**	**(1,115)**
Net after tax contributions	**12,468**	**1**	**12,469**
Benefit payments to members or beneficiaries	**(9,761)**	**(90)**	**(9,851)**
Insurance premiums charged to members' accounts	**(722)**	**-**	**(722)**
Financial advice fees deducted from members' accounts	**(34)**	**-**	**(34)**
Reserves transferred to members	**-**	**91**	**91**
Net benefit allocated to members	**12,868**	**-**	**12,868**
Net change in defined benefit member benefits	**-**	**21**	**21**
Closing balances as at 30 June 2023	**158,930**	**1,004**	**159,934**

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

Statement of Changes in Equity/Reserves

For the year ended 30 June 2023

	Investment Reserve[1] $m	Operational Risk Financial Requirement Reserve[2] $m	Insurance Reserve[3] $m	Administration Reserve[4] $m	Total Reserves $m
Opening balances as at 1 July 2021	451	367	12	405	1,235
Operating results					
- Operating surplus	-	-	-	50	50
- Investment returns	-	(6)	-	(58)	(64)
- Allocation of tax timing differences	(317)	-	-	-	(317)
- Movement in investment income timing differences	(296)	-	-	-	(296)
Transfer from VISSF (Note 1.1)	-	2	-	4	6
Closing balances as at 30 June 2022	(162)	363	12	401	614
Opening balances as at 1 July 2022	**(162)**	**363**	**12**	**401**	**614**
Operating results					
- Operating surplus	**-**	**2**	**-**	**20**	**22**
- Investment returns	**-**	**34**	**-**	**21**	**55**
- Allocation of tax timing differences	**458**	**-**	**-**	**-**	**458**
- Movement in investment income timing differences	**272**	**-**	**-**	**-**	**272**
Closing balances as at 30 June 2023	**568**	**399**	**12**	**442**	**1,421**

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

1 The Investment Reserve is an unallocated reserve being the difference between the statutory financial result and the cumulative amount of investment income (net of investment expenses and investment tax timing differences) allocated to members accounts, after any transfers to ORFR Reserve, Insurance Reserve, and Administration Reserve.

2 The Operational Risk Financial Requirement Reserve is an unallocated reserve, held separately to the unitised assets of the Fund to maintain adequate financial resources to address potential losses arising from operational risks. The reserve may be used by the Trustee in accordance with the requirements of Superannuation Prudential Standard 114 Operational Risk Financial Requirement and the Fund's Operational Risk Financial Requirement Reserving Policy. The Trustee has assessed a reserve of approximately 0.25% of funds under management as being appropriate for the Fund.

3 The Insurance Reserve is an unallocated reserve which comprises the receipt of profit share and/or premium adjustment amounts from the Fund's group life insurers less the use of these amounts to reduce premiums for relevant members.

4 The Administration Reserve is an unallocated reserve held separately to the unitised assets of the Fund for use by the Trustee in accordance with the Trust Deed. It is funded by administration fees charged to members and funds the operations of the Trustee office, which may include investment in enhancing member services, expanding the product range or expenditure to achieve operational efficiencies. The reserve may also be used to reinstate the Operational Risk Financial Requirement Reserve following a loss or meet any trustee fees charged by Aware Super Pty Limited in its capacity as the trustee of the Fund.

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 $'m	2022 $'m
Cash flows from operating activities			
Investment income		**6,232**	5,772
Investment expenses		**(485)**	(480)
Administration expenses		**(370)**	(400)
Insurance premiums paid		**(740)**	(649)
Financial planning fees		**(34)**	(44)
Income tax paid		**(245)**	(1,183)
Net inflows from operating activities	**18**	**4,358**	3,016
Cash flows from investing activities			
Purchase of investments		**(43,282)**	(76,053)
Proceeds from sale of investments		**35,926**	68,591
Net outflows from investing activities		**(7,356)**	(7,462)
Cash flows from financing activities			
Contributions received		**13,591**	13,116
Tax paid on contributions received		**(849)**	(720)
Benefits paid		**(9,842)**	(8,865)
Transfer from VISSF (Note 1.1)		**-**	866
Net inflows from financing activities		**2,900**	4,397
Net decrease in cash held		**(98)**	(49)
Cash at the beginning of the financial year		**689**	738
Cash at the end of the financial year		**591**	689

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

Notes to the Financial Statements

For the year ended 30 June 2023

1. Description of the Fund

Aware Super (ABN 53 226 460 365) (the Fund) is both a defined contribution and a defined benefit superannuation fund constituted by the Trust Deed dated 19 February 1999 (as amended). Aware Super Pty Ltd (ABN 11 118 202 672) (the Trustee) is the trustee of the Fund. The Fund provides superannuation benefits (including income streams), and insurance benefits (where applicable) to members and their dependants or beneficiaries.

State Street Australia Limited (State Street) is the Fund's custodian for all investments and related cash.

The Fund is party to a Group Resources Agreements with Aware Super Services Pty Ltd effective from 1 July 2019 and with VicSuper Pty Ltd effective from 1 July 2020 (terminated 31 March 2023). Under the agreements, Aware Super Services Pty Ltd and VicSuper Pty Ltd act as the employing entities for the Aware Super Group and provide personnel to relevant Aware Super Group entities to enable those entities to undertake their business activities.

The principal place of business of the Fund is Level 28, 388 George Street Sydney, NSW, 2000.

1.1 Successor Fund Transfer with the Victorian Independent Schools Superannuation Fund (VISSF)

On 30 November 2021, the Fund undertook a Successor Fund Transfer (SFT) with the Victorian Independent Schools Superannuation Fund (ABN 37 024 873 660) (VISSF). VISSF defined contribution members were rolled into the equivalent Aware defined contribution products on SFT date. VISSF defined benefit members were retained in defined benefit products which were transferred to Aware on the SFT date. On 31 March 2023, the VISSF defined benefit products were wound up, with members transferring into the Aware defined contribution accumulation fund. As of the wind-up date, the fund reported member liabilities of $23 million ($22 million as at 30 June 2022) and defined benefits surplus of $8 million ($10 million as at 30 June 2022) to reflect values prior to transfer.

The change to net member liabilities of $846 million is described as Transfer from VISSF in the Statement of Changes in Member Benefits. The assets and liabilities transferred were:

Balance Sheet of Victorian Independent Schools Superannuation Fund on 30 November 2021	As at 30 Nov 2021 $'m
Assets	
Cash and cash equivalents	2
Receivables	1
Financial assets	863
Liabilities	
Defined contribution member liabilities	820
Defined benefit member liabilities	26
Net assets	**20**
Reserves	6
Defined benefit surplus	14
Equity	**20**

1. Description of the Fund (continued)

1.2 Administrator and Custodian of the Fund

The custody and administration of the Fund were performed by the following entities at 30 June 2023:

Division	Administration of Fund	Custodian
Balance of Aware Super (including former WA Super and VISSF defined contribution members)	Mercer Administration Services (Australia) Pty Limited (until 30 April 2023) Self-administered (from 1 May 2023)	State Street
Heritage StatePlus Retirement Fund	First State Super Product Services Trust (Self-administered)	State Street
Heritage VicSuper	Self-administered	State Street
Heritage Victorian Independent Schools Superannuation Defined Benefit fund (VISSF) Defined Benefit funds	Link Group (until terminated on 31 March 2023)	State Street

The administrators of the Fund are the custodian of the Fund's bank accounts that manage the processing of contributions, maintaining member records, and paying benefits.

2. Basis of preparation and accounting policies

2.1 Basis of Preparation and Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (Accounting Standards), Interpretations, the Superannuation Industry (Supervision) Act 1993 and provisions of the Trust Deed.

These financial statements cover the Fund as an individual entity. For the purpose of preparing the financial statements, the Fund is a profit to members (i.e. not-for-profit) entity.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. All amounts are presented in the Australian currency. Amounts have been rounded off to the nearest million dollars, unless otherwise indicated.

Where necessary, comparative figures have been reclassified to conform to the changes in presentation made in the financial statements.

The financial statements are prepared on the going concern basis.

The financial statements were authorised for issue by the Directors on 22nd day of September 2023.

2. Basis of Preparation and accounting policies (continued)

2.2 Use of Judgements and Estimates

In the application of Accounting Standards, management is required to make judgments, estimates and assumptions about the fair market values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Valuations are based on the independent valuer's recommendations and fund manager statements, however when a significant disconnect is observed between the current market conditions and the last valuation, trustee has the flexibility under the valuation policy to revalue assets when there is observable information that would indicate a potential change in valuation. This is subject to internal controls and governance oversight, with the objective of ensuring member equity.

The Fund’s financial instruments are mostly at quoted market prices. However, certain financial instruments are fair valued using valuation techniques. Where valuation techniques are used to determine fair values, these are validated and periodically reviewed by experienced valuers. Refer to note 4 for details.

The Fund also makes estimates and assumptions in relation to the valuation of defined benefit member liabilities, details of which are set out in note 14.

2.3 Significant accounting policies

Accounting policies that summarise the classification, recognition and measurement basis of financial statement line items and that are relevant to the understanding of the consolidated financial statements are provided throughout the Notes. These policies have been consistently applied for the year presented, unless otherwise stated.

2.4 New Standards and Interpretations adopted during the year

The following new and revised Standards and Interpretations have been adopted in these financial statements. The adoption has not had significant financial or disclosure impact on these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (AASB 2020-3)

The Annual Improvements include amendments to seven Standards, AASB 1 First-time Adoption of IFRS, AASB 3 Business Combinations, AASB 9 Financial Instruments, AASB 116 Property, plant, and equipment, AASB16 Leases, AASB 137 Provisions, Contingent Liabilities and Contingent Assets, and AA141 Agriculture.

These amendments did not have a material impact on the financial statements of the Fund for the year ended 30 June 2023.

Other amendments made to existing standards

Other amendments that were mandatorily effective for the annual reporting period beginning on 1 July 2022 did not result in a material impact on the Fund’s consolidated financial statements.

2. Basis of Preparation and accounting policies (continued)

2.5 Accounting Standards and Interpretations issued, but not yet effective

At the date of authorisation of the financial report, the following Standards and Interpretations which are expected to be relevant to the Fund were in issue but not yet effective for the 30 June 2023 reporting period. The Trustee anticipates the adoption of these Standards will not have a material financial impact on the financial report of the Fund.

New or revised requirement	Title	Effective Date (as applicable date for Aware Super)
AASB 2014-10 **AASB 2015-10** **AASB 2017-5** **AASB 2021-7**	**Amendments to Australian Accounting Standards** – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – *Deferral of Effective Date* The amendments require the full gain or loss to be recognised when the assets transferred meet the definition of a 'business' under AASB 3 (whether housed in a subsidiary or not). The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The amendments are required to be applied for annual reporting periods beginning on or after 1 July 2025.	**1 July 2025**
AASB 2020-1 **AASB 2020-6** **Amendments to IAS 1**	**Amendments to Australian Accounting Standards** – *Classification of Liabilities as Current or Non-current* – *Deferral of Effective Date* Amends AASB 101 *Presentation of Financial Statements* to require a liability be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period. AASB 2020-6 defers the mandatory effective date of amendments that were originally made in AASB 2020-1, so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022.	**1 July 2023**
AASB 2021-2	**AASB 2021-2 Amendments to Australian Accounting Standards** – *Disclosure of Accounting Policies and Definition of Accounting Estimates* The amendments provide a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies.	**1 July 2023**
AASB 2021-5	**AASB 2021-5 Amendments to Australian Accounting Standards** **–** *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations.	**1 July 2023**

2. Basis of Preparation and accounting policies (continued)

2.5 Accounting Standards and Interpretations issued, but not yet effective (continued)

New or revised requirement	Title	Effective Date (as applicable date for Aware Super)
Amendments to IFRS 16	**Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)** Amends IFRS 16 Leases by adding subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments apply to annual reporting periods beginning on or after 1 January 2024.	**1 July 2024**

The are no standards issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations that are not yet issued in Australia by the Australian Standards Board (AASB).

The Fund does not intend to adopt any of these pronouncements before their effective dates.

2.6 Upcoming legislative and regulatory changes, not yet effective

The Fund is a registrable superannuation entity that is subject to amendments made to the Corporations Act 2001 by the Treasury Laws Amendment (2002 Measures No.4) Act 2022. These amendments are effective for financial years beginning on or after 1 July 2023 and bring registrable superannuation entities such as the Fund into the financial reporting provisions of the Corporations Act 2001.

Accordingly, for the Fund's income year ending 30 June 2024, the Fund will be required to prepare an annual report, consisting of a financial report (including financial statements, notes and a directors' declaration), a directors' report (including a remuneration report) and an attached auditor's report and auditor's independence declaration.

The annual report will be made available on the Fund's website within three months of the end of the Fund's income year (i.e. by 30 September 2024).

3. Significant Accounting Policies and Disclosures

The Fund's accounting policies are selected and applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of underlying transactions or other events is reported.

The accounting policies and disclosure notes (per below) have been applied in preparing the financial statements for the year ended 30 June 2023 and the comparative information presented in these financial statements for the year ended 30 June 2022.

(a) Cash and Cash Equivalents

Cash and cash equivalents include deposits held at call with a bank or financial institution and highly liquid investments with short periods to maturity which are readily convertible to cash and which are subject to insignificant risk of changes in value.

	2023 $'m	2022 $'m
Cash and Cash Equivalents	**591**	689

(b) Receivables

Receivables may include amounts for dividends, interest and trust distributions and are measured at fair value. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment.

Investment Receivables for investment securities sold and payables for investment securities purchased represent trades that have been contracted for but not yet delivered at reporting date. Trades are recorded on trade date and normally settled within three business days.

Prepayment for any software as a service arrangement is recognised as an asset and expensed when services are received over the underlying contract term with the supplier.

Other Receivables include other prepayments on expenditures incurred to provide future economic benefits, where no intangible asset or other asset is recognised.

	2023 $'m	2022 $'m
Investment receivables (unsettled investments)	**1,013**	1,198
Prepayments	**8**	20
Other receivables	**43**	44
Total Receivables	**1,064**	1,262

4. Investments

Financial assets

The Fund’s investments are described as investment assets and are classified as at fair value through profit or loss (FVTPL).

An investment asset is designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract and the entire combined contract (asset or liability) is designated as at FVTPL.

Financial liabilities

The Fund’s financial liabilities are classified as at FVTPL.

A financial liability is designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial liabilities forms part of a group of financial liabilities or financial assets or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract and the entire combined contract (asset or liability) is designated as FVTPL.

Financial assets and liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in the Income Statement.

4. Investments (continued)

Fair value measurement of financial assets and liabilities

Fair values of financial assets are determined as follows:

- Listed securities, foreign securities quoted on a recognised stock exchange, derivative financial instruments and government and other fixed income securities are stated at market quotations as at the reporting date;
- Unit trust, and managed fund investments are stated at the redemption price quoted by the trust managers as at the reporting date;
- Unlisted securities are stated at a valuation based on the latest available advice of the Fund's investment managers as at the reporting date.
- Direct unlisted investments are stated at a valuation based on half yearly independent valuations. These valuations are primarily prepared using discounted cashflow, income capitalisation or comparable sales methods depending upon the type of asset and asset class.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Further, the Trustee's Valuation Policy provides that if a price is not at market value (due to illiquidity, suspension, a material event or otherwise), the Trustee may vary the value of the asset in accordance with the internal governance processes for the adjustment as outlined in the Policy. The objective of this process is to preserve equity across member outcomes, regardless of their choices, by mitigating against the risk that in major disruptions the effect of normal delays in the reporting of unlisted asset valuations may be materially amplified.

Financial instruments management

The investments of the Fund are managed by a combination of specialist sector fund managers and the Fund's internal investment team. The specialist sector fund managers are required to invest the assets allocated for management in accordance with the terms of a written investment management agreement. The appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy. Investments of the Fund are managed by external and internal investment managers. The Fund's internal investment team of specialists oversee the externally managed investments and manage a number of direct assets and investment portfolios in-house.

4. Investments (continued)

(a) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value grouped into Levels 1, 2 and 3 based on the degree to which the fair value is observable.

30 June 2023	Level 1 $'m	Level 2 $'m	Level 3 $'m	Totals $'m
Investment assets				
Cash investments	**2,307**	**-**	**-**	**2,307**
Discounted securities	**4,868**	**3,529**	**-**	**8,397**
Fixed income securities	**9,236**	**11,889**	**163**	**21,288**
Private market credit securities	**-**	**2,133**	**-**	**2,133**
Listed equity securities	**79,174**	**-**	**8**	**79,182**
Unlisted equity securities	**-**	**-**	**2,094**	**2,094**
Listed unit trusts	**2,670**	**-**	**-**	**2,670**
Unlisted unit trusts	**-**	**8,796**	**34,262**	**43,058**
Derivative assets	**58**	**417**	**-**	**475**
Total investment assets	**98,313**	**26,764**	**36,527**	**161,604**
Financial liabilities				
Derivative liabilities	**16**	**181**	**-**	**197**
Total financial liabilities	**16**	**181**	**-**	**197**

4. Investments (continued)

(a) Fair value measurements recognised in the statement of financial position (continued)

30 June 2022	Level 1 $'m	Level 2 $'m	Level 3 $'m	Totals $'m
Investment assets				
Cash investments	1,871	-	-	1,871
Discounted securities	7,524	5,617	-	13,141
Fixed income securities	10,409	8,343	229	18,981
Private market credit securities	-	1,666	-	1,666
Listed equity securities	68,955	63	-	69,018
Unlisted equity securities	-	141	1,818	1,959
Listed unit trusts	3,277	7	-	3,284
Unlisted unit trusts[1]	-	6,787	30,077	36,864
Derivative assets	64	202	-	266
Total investment assets	92,100	22,826	32,124	147,050
Financial liabilities				
Derivative liabilities	25	1,459	-	1,484
Total financial liabilities	25	1,459	-	1,484

[1]As at 30 June 2022 the level 2 and 3 balances have been reclassified following a detailed re-assessment of level 2 unlisted unit trusts to the amount of $2,385 million.

4. Investments (continued)

(b) Derivatives recognised in the statement of financial position

The following table provides an analysis of derivatives held as at reporting date.

30 June 2023	Level 1 $'m	Level 2 $'m	Level 3 $'m	Totals $'m
Derivative assets				
Futures	**10**	**-**	**-**	**10**
Foreign currency contracts	**-**	**399**	**-**	**399**
Options	**-**	**9**	**-**	**9**
Swaps	**-**	**1**	**-**	**1**
Warrants	**48**	**8**	**-**	**56**
Total derivative assets	**58**	**417**	**-**	**475**
Derivative liabilities				
Futures	**16**	**-**	**-**	**16**
Foreign currency contracts	**-**	**178**	**-**	**178**
Options	**-**	**1**	**-**	**1**
Swaps	**-**	**2**	**-**	**2**
Total derivative liabilities	**16**	**181**	**-**	**197**

30 June 2022	Level 1 $'m	Level 2 $'m	Level 3 $'m	Totals $'m
Derivative assets				
Futures	6	-	-	6
Foreign currency contracts	-	186	-	186
Options	-	13	-	13
Swaps	-	2	-	2
Warrants	58	1	-	59
Total derivative assets	64	202	-	266
Derivative liabilities				
Futures	25	-	-	25
Foreign currency contracts	-	1,457	-	1,457
Swaps	-	2	-	2
Total derivative liabilities	25	1,459	-	1,484

4. Investments (continued)

(c) Valuation techniques

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets /Financial liabilities	Fair value as at 30 June 2023 $'m	Fair value as at 30 June 2022 $'m	Fair Value Hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Listed equities	**79,182**	69,018	1,2,3	Level 1 - Quoted bid prices in an active market, 97% of total equities Level 2 – Derived from inputs other than quoted prices Level 3 – Valuation based on the last available price	Level 3 generally based on the last available price
Unlisted equities	**2,094**	1,959	2,3	Level 2 – Derived from inputs other than quoted prices Level 3 – Valuation based on independent valuers as at the reporting date	Level 3 generally based on economic and business assumptions in the valuation models
Listed unit trusts	**2,670**	3,284	1,2	Level 1 - Quoted bid prices in an active market Level 2 – Derived from inputs other than quoted prices	N/A
Unlisted unit trusts	**43,058**	36,864	2,3	Level 2 – Derived from inputs other than quoted prices Level 3 – Valuation based on independent valuers as at the reporting date	Level 3 generally based on economic and business assumptions in the valuation models
Fixed income securities	**21,288**	18,981	1,2,3	Level 1 - Quoted bid prices in an active market. Level 2 – Derived from inputs other than quoted prices Level 3 – Valuation based on independent valuers as at the reporting date	Level 3 generally based on economic and business assumptions in the valuation models
Private market credit securities	**2,133**	1,666	2	Level 2 – Derived from inputs other than quoted prices	N/A
Discounted securities	**8,397**	13,141	1,2	Level 1 - Quoted bid prices in an active market. Level 2 – Derived from inputs other than quoted prices	N/A

4. Investments (continued)

(c) Valuation techniques (continued)

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets /Financial liabilities	Fair value as at 30 June 2023 $'m	Fair value as at 30 June 2022 $'m	Fair Value Hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Futures and options (net)	**2**	(6)	1,2	Exchange traded futures or options are stated at the last quoted bid or sale price relevant to close out the contract as at the reporting date less any transactional costs; over-the-counter options are stated using the quotations of an independent broker, or where unavailable by the responsible entity using an option pricing model using independent market data less any transactional costs.	N/A
Foreign exchange (net)	**221**	(1,271)	2	Foreign exchange contracts are stated at the exchange rate current at reporting date less any transaction costs	N/A
Swaps & warrants (net)	**55**	59	1,2	Level 1 - Quoted bid prices in an active market, Level 2 - Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparties.	N/A

4. Investments (continued)

(d) Reconciliation of Level 3 fair value measurements of financial assets

Level 3 Fair Value Reconciliation	Fixed Income $'m	Unlisted equities $'m	Listed Equities $'m	Unlisted Unit Trusts $'m	Totals $'m
Balance at 1 July 2021[1]	255	1,737	-	23,666	25,658
Purchases	-	12	-	6,027	6,039
Redemptions/disposals	(15)	(4)	-	(2,924)	(2,943)
Transfers into Level 3	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-
Total (losses)/gains in Income Statement	(11)	73	-	3,308	3,370
Balance at 30 June 2022[1]	229	1,818	-	30,077	32,124
Balance at 1 July 2022[1]	**229**	**1,818**	**-**	**30,077**	**32,124**
Purchases	**-**	**95**	**-**	**5,818**	**5,913**
Redemptions/disposals	**(34)**	**(5)**	**-**	**(1,361)**	**(1,400)**
Transfers into Level 3[2]	**-**	**-**	**8**	**-**	**8**
Transfers out of Level 3	**-**	**-**	**-**	**-**	**-**
Total (losses)/gains in Income Statement	**(32)**	**186**	**-**	**(272)**	**(118)**
Balance at 30 June 2023	**163**	**2,094**	**8**	**34,262**	**36,527**

[1] The balance has been reclassified following a detailed re-assessment of level 2 unlisted unit trusts to the amount of $2,385 million for 30 June 2022 (2021: $1,620 million).

[2] During the financial year ended there were no transfers between level 1 and level 2 financial instruments, however there were transfers between level 1 and 3 amounting to $8 million.

The following table shows the sensitivity of the fair values of the Level 3 assets. The expected volatility forecasts are derived primarily from the last several years of realised values with adjustments based on management's assessment.

Level 3 Asset Sensitivity	Volatility of investment sector returns		Effect on changes in net assets and net assets available to pay benefits	
	2023	2022	2023 $'m	2022 $'m
Fixed income securities	**7.6%**	7.6%	**12**	17
Unlisted equities	**8.0%**	9.0%	**168**	164
Listed equities	**20.6%**	-	**2**	-
Unlisted unit trusts	**8.2%**	10.3%	**2,809**	3,098

5. Financial Risk Management

Financial risk management objectives

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk, credit risk and liquidity risk. The Fund's risk management and investment policies seek to minimise the potential adverse effects of these risks on the Fund's financial performance. These policies may include the use of certain financial derivative instruments.

An enterprise-wide Risk Management Framework (RMF) is in place to manage material risks and ensure appropriate levels of oversight are in place.

The RMF identifies the Trustee's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by the Fund. Annually, the Trustee certifies to the Australian Prudential Regulatory Authority (APRA) that adequate strategies have been put in place to monitor those risks, that the Trustee has systems in place to ensure compliance with legislative and prudential requirements and the Trustee has satisfied itself as to compliance with the RMF.

The Fund has an Investment Governance Framework (IGF) established by the Trustee. The IGF sets out the Trustee's policies for the selection, management and monitoring of investments for the Fund. For each investment option offered by the Fund, the Trustee seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

(a) Market risk

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

Foreign currency risk management

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund undertakes certain investment transactions that are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters. The Fund's overall policy in foreign currency risk management remains unchanged from the previous reporting period.

5. Financial Risk Management (continued)

(a) Market risk (continued)

Foreign currency risk management (continued)

The Fund's total exposure (in Australian dollars) to fluctuations in foreign currency exchange at the reporting date was as follows:

2023	USD $A'm	EUR $A'm	HKD $A'm	JPY $A'm	Others $A'm
Receivables	**244**	**80**	**26**	**23**	**136**
Cash investments	**566**	**65**	**13**	**20**	**99**
Discounted securities	**-**	**-**	**-**	**-**	**-**
Fixed income securities	**1,657**	**446**	**13**	**38**	**557**
Private market credit securities	**-**	**-**	**-**	**-**	**230**
Listed equities	**32,243**	**5,650**	**1,218**	**2,040**	**7,615**
Unlisted equities	**-**	**-**	**-**	**-**	**-**
Listed unit trusts	**1,272**	**39**	**15**	**73**	**102**
Unlisted unit trusts	**5,905**	**2,588**	**-**	**-**	**1,772**
Derivative assets	**293**	**33**	**3**	**99**	**39**
Payables	**(51)**	**(2)**	**(1)**	**(2)**	**(15)**
Derivative liabilities	**(89)**	**(19)**	**(1)**	**(12)**	**(76)**
	42,040	**8,880**	**1,286**	**2,279**	**10,459**
Forward exchange contracts	**(25,594)**	**(4,523)**	**(162)**	**(1,230)**	**(5,683)**
Net exposure to foreign exchange risk	**16,446**	**4,357**	**1,124**	**1,049**	**4,776**

5. Financial Risk Management (continued)

(a) Market risk (continued)

Foreign currency risk management (continued)

2022	USD $A'm	EUR $A'm	HKD $A'm	JPY $A'm	Others $A'm
Receivables	73	34	16	11	58
Cash investments	456	75	10	18	104
Discounted securities	-	-	-	-	-
Fixed income securities	895	325	11	37	521
Private market credit securities	-	-	-	-	184
Listed equities	27,351	4,520	1,592	1,823	7,323
Unlisted equities	-	-	1	-	-
Listed unit trusts	2,205	201	26	143	182
Unlisted unit trusts	5,125	1,918	-	-	1,055
Derivative assets	158	45	-	19	43
Payables	(23)	(19)	(1)	(3)	(16)
Derivative liabilities	(1,282)	(77)	(9)	(2)	(91)
	34,958	7,022	1,646	2,046	9,363
Forward exchange contracts	(20,957)	(3,837)	(150)	(1,124)	(4,720)
Net exposure to foreign exchange risk	**14,001**	**3,185**	**1,496**	**922**	**4,643**

Foreign currency sensitivity

The following table details the Fund's sensitivity to a 10% (2022: 10%) increase or decrease in the Australian Dollar against the relevant foreign currencies. Management have assessed that 10% is an appropriate sensitivity rate to measure the impact of a possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 10% (2022: 10%) change in foreign currency rates. The analysis assumes all currencies fluctuate in the same direction at the same time. The number is positive when the Australian dollar weakens against the respective currency, causing assets available to pay benefits to increase. Conversely the number is negative when the Australian dollar strengthens causing assets denominated in foreign currencies to fall in value.

Currency Risk	% change in $AUD		Effect on changes in net assets and net assets available to pay benefits	
	2023	2022	2023 $'m	2022 $'m
Currency risk	**10%**	10%	**2,770**	2,479

5. Financial Risk Management (continued)

(a) Market risk (continued)

Interest rate risk management

The Fund's activities expose it to the financial risk of changes in interest rates. Floating rate instruments expose the Fund to cash flow risk, whereas fixed interest rate instruments expose the Fund to fair value interest rate risk. Exposures to interest rate risk are monitored.

2023	Floating interest rate $'m	Fixed interest rate $'m	Non-interest bearing $'m	Totals $'m
Assets				
Cash and cash equivalents	2,883	-	15	2,898
Receivables	-	-	1,064	1,064
Current tax receivable	-	-	297	297
Discounted securities	1,580	6,817	-	8,397
Fixed income securities	8,391	12,897	-	21,288
Listed unit trusts	-	-	2,670	2,670
Unlisted unit trusts	-	-	43,058	43,058
Private market credit securities	2,087	46	-	2,133
Listed equities	-	-	79,182	79,182
Unlisted equity	-	-	2,094	2,094
Derivative assets	-	-	475	475
Total assets	14,941	19,760	128,855	163,556
Liabilities				
Payables	-	-	744	744
Derivative liabilities	-	3	194	197
Total liabilities	-	3	938	941
Net exposure interest rate risk	14,941	19,757	127,917	162,615

5. Financial Risk Management (continued)

(a) Market risk (continued)

Interest rate risk management (continued)

2022	Floating interest rate $'m	Fixed interest rate $'m	Non-interest bearing $'m	Totals $'m
Assets				
Cash and cash equivalents	2,553	-	7	2,560
Receivables	-	-	1,262	1,262
Current tax receivable	-	-	102	102
Discounted securities	1,530	11,611	-	13,141
Fixed income securities	6,423	12,558	-	18,981
Listed unit trusts	-	-	3,284	3,284
Unlisted unit trusts			36,864	36,864
Private market credit securities	1,576	90	-	1,666
Listed equities	-	-	69,018	69,018
Unlisted equities	-	-	1,959	1,959
Derivative assets	-	-	266	266
Total assets	**12,082**	**24,259**	**112,762**	**149,103**
Liabilities				
Payables	-	-	1,375	1,375
Derivative liabilities	-	7	1,477	1,484
Total liabilities	**-**	**7**	**2,852**	**2,859**
Net exposure interest rate risk	**12,082**	**24,252**	**109,910**	**146,244**

5. Financial Risk Management (continued)

(a) Market risk (continued)

Interest rate risk management (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date. It is assumed that the basis point change occurs as at the reporting date. The interest rate risk sensitivity analysis calculates the impact on the market value of the fixed interest portfolio of a change of 100 basis points term structure in every market in which the fund holds fixed interest securities, based on the duration of the Fund's fixed interest portfolio as at the reporting date. The possible increase or decrease in fixed interest rates of 100 basis points (2022: 100 basis points) are estimated to result in the following impact on the fixed interest portfolio's contribution to the consolidated operating result as illustrated in the following table:

Interest Rate Risk	Change in interest rate		Effect on changes in net assets and net assets available to pay benefits	
	2023 bps	2022 bps	2023 $'m	2022 $'m
Interest rate risk	**+100**	+100	**(1,013)**	(1,411)
	-100	-100	**1,013**	1,411

Market price risks

Market price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund has investments in unit trusts which expose it to price risk. In addition, the Fund holds equity instruments which expose it to equity price risk.

As the majority of the Fund's financial instruments are carried at fair value with changes in fair value recognised in the Income Statement, all changes in market conditions will directly affect net investment income.

Price risk is mitigated by constructing a diversified portfolio of instruments traded on various markets in accordance with the Fund's investment strategy.

The following table summarises the sensitivity of the Fund's net assets available for member benefits to price risk. The reasonably possible movements in the risk variables have been based on management's assessment, having regard to a number of factors, including historical levels of changes in market volatility. Actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables. The Fund has reviewed the assumptions used to determine its sensitivity to these risks compared to the comparative period as a result of changes in market volatility in the period.

5. Financial Risk Management (continued)

(a) Market risk (continued)

Market Price risks (continued)

Market Price Risk	Volatility of investment sector returns		Effect on changes in net assets and net assets available to pay benefits	
	2023	2022	2023 $'m	2022 $'m
Discounted securities[1]	**1.3%**	1.3%	**109**	171
Fixed income securities	**2.7%**	3.0%	**575**	569
Private market credit securities	**7.0%**	7.0%	**149**	117
Listed equities	**16.8%**	16.3%	**13,303**	11,250
Unlisted equities	**8.0%**	9.0%	**168**	176
Listed unit trusts[2]	**14.2%**	8.8%	**379**	289
Unlisted unit trusts[2]	**7.2%**	8.8%	**3,100**	3,244

[1] Management has assessed that Discounted Securities are exposed to the volatility of the market cash rate at reporting date.

[2] Unit trusts volatility for listed and unlisted assets in 2022 was calculated using overall unit trusts volatility.

Climate risk

Climate change represents a significant long-term risk to the Fund's investment portfolio. The transition of the economy from current carbon-based energy to a lower, and ultimately net-zero economy, presents economic climate transition risks to companies around the globe, and therefore potentially Aware Super's investments. The range of possible climate transition pathways require detailed consideration and assessment to minimise potentially negative financial impacts on the Fund's investment portfolio as some carbon-intensive assets devalue or even become stranded, while other lower-carbon assets may increase in value.

The Fund updated its Climate Change Portfolio Transition Plan (Transition Plan) in 2023 to address the large systemic and structural changes that limiting the causes and impacts of climate change will require. The Transition Plan is a framework of recommendations and targets focused on short, medium and long-term initiatives to achieve net zero emissions by 2050, with the intention of reducing the risk of climate change on the investment portfolio. Key initiatives under the plan include:

- Decarbonisation - implementing a de-carbonisation pathway for the investment portfolio
- Portfolio Transition & resilience - addressing the risk of physical climate change on assets within our investment portfolio, adapting where possible;
- Investing in climate solutions - proactively investing in lower emissions investments; and
- Company climate engagement - assessing the climate change transition risks on the portfolio, including lowering risk through actively managing and engaging with portfolio investments on their climate change transition pathway.

5. Financial Risk Management (continued)

(b) Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund has counterparty credit procedures in place and the exposure to credit risk is monitored on an ongoing basis in accordance with the Statement of Investment Objectives and Policy.

Substantially all of the cash held by the Fund is held by State Street, Westpac Banking Corporation, and Commonwealth Bank of Australia (CBA). The Fund monitors its credit risk by monitoring the credit quality and financial positions of the banks through regular analysis of their financial reports.

Unsettled investment sales are transactions with investment managers that are awaiting settlement and are included in receivables. The credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The ageing of unsettled trades is monitored.

State Street is the custodian of all the Fund's investment assets and associated liquid assets. State Street provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions. Mercer was the custodian for some of the Fund's Commonwealth Bank of Australia (CBA) accounts and performs transactional and accounting services and was also the Fund's administrator of member services until 30 April 2023. From 1 May 2023 onwards, all bank accounts (excluding State Street accounts) and member services are internally administered by the Fund. The credit quality and financial positions of the custodians is monitored through regular analysis of their financial reports.

The Fund participates in securities lending via the agency securities lending programme of its custodian, State Street, whereby the Fund has a principal relationship with the borrower. All loans of securities are subject to collateral backing. The market value of securities on loan at 30 June 2023 was $12,324 million (2022: $14,258 million).
The Fund holds private market credit securities which may not have a third-party credit rating at the security level. For these securities, the Fund assesses the credit risk of the securities, assigning a credit rating to quantify the credit risk using an approach similar to those used by external ratings agencies. The securities are managed on an ongoing basis by the Fund and subject to independent valuation at least semi-annually which includes evaluation by the independent valuer of the assigned credit ratings of a part of the portfolio on a rolling basis. The Fund does not have credit risk exposure exceeding 10% of the total portfolio to any single counterparty.

Except for security lending arrangements and OTC derivatives, the Fund holds no collateral security and has no credit enhancement arrangements for any financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due. The table below shows the maximum exposure to credit risk at the reporting date. The carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.

5. Financial Risk Management (continued)

(b) Credit Risk (continued)

The Fund's maximum aggregate exposure to credit risk is as follows:

Aggregate Credit Risk Exposure	2023 $'m	2022 $'m
Cash and cash equivalents	**2,898**	2,560
Discounted securities	**8,397**	13,141
Fixed income securities	**21,288**	18,981
Private market credit securities	**2,133**	1,666
Derivative assets	**475**	266
Receivables	**1,064**	1,262
	36,255	37,876

(c) Liquidity risk

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The Fund allows members to withdraw benefits in accordance with the appropriate requirements and it is therefore exposed to the liquidity risk of meeting members' legitimate withdrawal requests at any time. The majority of the Fund's listed securities and unit trust investments are considered to be readily realisable. The Fund's financial instruments include investments in unlisted investments and private equity which are not traded in an organised market and that generally may be illiquid. As a result, in extraordinary circumstances, there is a risk that the Fund may not be able to liquidate all of these investments at their net market value in order to meet all of its liquidity requirements.

The Fund has a framework in place to manage liquidity risk, this includes a liquidity management plan, setting liquidity parameters, monitoring and stress testing, that considers the following key elements:

1. understanding the drivers behind liquidity needs;
2. setting liquidity parameters;
3. implementing effective investment structures;
4. monitoring liquidity;
5. regularly conducting liquidity stress testing; and
6. maintaining a Liquidity Management Plan.

The strategic asset allocation of each investment option is the main determinant of its overall risk and return characteristics, including its liquidity profile. Hence, Aware Super explicitly considers the liquidity characteristics of each asset class before setting the strategic asset allocations and ranges for the individual investment options offered to members. In setting the liquidity classification for each asset class, Aware Super tailors the liquidity classification to the characteristics of the underlying assets themselves, rather than applying a standardised approach.

It is expected that each investment option would be able to meet its cashflow requirements on a stand-alone basis. Hence, the proportion of illiquid assets held at an investment option level is a key parameter considered in relation to liquidity risk; an increasing proportion of illiquid assets will, by definition, reduce the overall level of liquidity.

5. Financial Risk Management (continued)

(c) Liquidity risk (continued)

Overall, the following principles apply:

- a majority of assets are held in highly liquid securities, many exchange-traded, which can be fully liquidated at short notice if necessary;
- all investment options have a strategic allocation to cash, which is highly liquid, and could be drawn upon to manage cash flow requirements; and
- unlisted securities are regularly reviewed for valuation accuracy.

The Fund has capital commitments in relation to property, private equity and infrastructure investment activities. Note 16 sets out the commitments contracted for at the reporting date but not recognised as liabilities in the tables below.

The following tables summarise the maturity profile of the Fund's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The tables include both interest and principal cash flows.

2023	Less than one month $'m	One to twelve months $'m	Over one year $'m	Totals $'m
Defined contribution member liabilities[1]	**158,930**	**-**	**-**	**158,930**
Defined benefit member liabilities[1]	**1,004**	**-**	**-**	**1,004**
Payables	**505**	**143**	**108**	**756**
Derivative liabilities	**127**	**68**	**2**	**197**
Total Financial Liabilities	**160,566**	**211**	**110**	**160,887**

[1]Amount is considered less than one month as it is based on the earliest period when a beneficiary may claim their benefit.

2022	Less than one month $'m	One to twelve months $'m	Over one year $'m	Totals $'m
Defined contribution member liabilities[1]	144,111	-	-	144,111
Defined benefit member liabilities[1]	981	-	-	981
Payables	1,109	179	145	1,433
Derivative liabilities	783	700	1	1,484
Total Financial Liabilities	146,984	879	146	148,009

[1]Amount is considered less than one month as it is based on the earliest period when a beneficiary may claim their benefit.

5. Financial Risk Management (continued)

(c) Liquidity risk (continued)

Capital risk management

The Operating Risk Financial Requirement Reserve has been established in accordance with SPS 114 Operational Risk Financial Requirement - refer Statement of Changes in Equity/Reserves. The purpose of this operational risk financial risk reserve is to provide funding for incidents where material losses may arise from operational risk (as opposed to investment risk) relating to the Fund. The level of reserve is determined by the Trustee based on an assessment of the risks faced by the Fund.

6. Investment in service entities

Consolidation and Investment in Service Entities

The Fund meets the definition of an investment entity within AASB 10 *Consolidated Financial Statements* and is therefore required to measure controlled investments at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* rather than consolidate them.

Notwithstanding the mandatory exception to the consolidation requirement for an investment entity, where the main purpose and activities of controlled entities are to provide investment-related services or activities that relate to the investment entity's investment activities, then the mandatory exception would not apply to such Service subsidiaries. Investment-related services include but are not limited to investment advisory services, investment management, investment support and administration services.

An investment entity is still required to consolidate its Service subsidiaries and apply the requirements of AASB 3 *Business Combinations* when acquiring control of any such subsidiary.

The Fund consolidates First State Super Holdings Pty Ltd (and its subsidiaries), First State Super Product Services Trust and FSSSP Pty Ltd (together, the Service entities). A list of all Service entities and other controlled investments is included under Note 20 to the financial statements.

In consideration of the materiality of the wholly owned Service entities, the Fund applies the single-line consolidation approach (equity method), rather than the full consolidation approach as required by AASB 1056 *Superannuation Entities* and AASB 10 *Consolidated Financial Statements*.

The equity method does not in the opinion of the Trustee, impair the fair presentation of the Fund's performance and statement of affairs.

Investment in a service subsidiary is a separate cash generating unit. It is required to be tested for impairment under AASB 136 *Impairment of Assets* (AASB 136) whenever there is an indicator of impairment or at least tested for impairment annually.

7. Property and equipment

Property and equipment are comprised of property and equipment and right of use of assets.

Property and equipment

Property and equipment is initially measured at cost, including transaction costs. It is subsequently measured at cost less accumulated depreciation and accumulated impairment costs. The written down value approximates fair value.

Each item of property, plant and equipment is amortised on a straight-line basis over the useful life of the asset of 2-10 years. The following useful lives are used in the calculation of depreciation:

- Leasehold improvements: Lease term
- Fixtures & Fittings: 2 to 10 years
- Office Equipment: 4 to 10 years
- Computer Hardware: 2 to 4 years
- Other assets: 3 to 4 years

The depreciation expense is recognised in the 'Administration expenses' and 'Investment expenses' in the Income Statement.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If a lease transfers ownership of the underlying asset to the lessee or the cost of the right-of-use asset reflects that the Fund expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

Right of use Buildings and Offices

The Fund as lessee, recognises an asset for the right-to-use the leased item(s) and a corresponding liability to pay rental expenses for the lease contract(s), except for short-term leases under 12 months and leases of low value assets. For these short-term or low-value asset leases, the Fund recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using an incremental borrowing rate. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

8. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets are depreciated over useful lives between 5 to 7 years.

Software

Costs directly incurred in acquiring and developing certain computer software that will contribute to future financial benefits are capitalised and amortised over the estimated useful life. Expenditure on research activities is recognised in profit or loss as incurred. Software development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Fund has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis, usually over a period of 5 to 7 years. The capitalised software asset is subject to impairment testing on an annual basis. Subsequently, the carrying value of software asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

Costs incurred in the maintenance of software is expensed as incurred and recognised in administration expenses.

As at 30 June 2023, the Fund recognised $114 million (2022: $71 million) as intangible software development in progress assets in respect of customisation costs incurred for the development of software. The amortisation period for development costs incurred on the Fund's member administration platform is 7 years, commencing when the asset is in the condition necessary for it to be capable of operating in the manner intended by management. During the financial year $37 million of these costs were transferred to software assets for amortisation.

	Software development costs (work in progress) $'m	Software assets $'m	Totals $'m
Balance 30 June 2021	13	4	17
Additions	58	6	64
Amortisation	-	(2)	(2)
Balance 30 June 2022	71	8	79
Balance 30 June 2022	**71**	**8**	**79**
Additions	**80**	**5**	**85**
Transfers in	**-**	**37**	**37**
Transfers out	**(37)**	**-**	**(37)**
Amortisation	**-**	**(6)**	**(6)**
Balance 30 June 2023	**114**	**44**	**158**

9. Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its tax assets and liabilities when due on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or benefit in the Income Statement.

Some aspects of tax legislation and rulings require interpretation and necessitate reasonable assumptions or allocations to be made in determining the provision for income taxes. There are some tax calculations made during the ordinary course of business which may be uncertain if assumptions or allocations are subsequently challenged. Because of its size and the amount of tax paid, the Fund is subject to regular reviews by the Australian Taxation Office. The fund actively monitors and assesses the impacts of those reviews, including making appropriate tax provisions for potential tax exposures. Where the final outcome of a tax authority review is different from the amounts that were initially recorded, such differences may impact the current and deferred tax provisions in the period in which such determination is made.

Superannuation contributions (surcharge) tax

The Trustee recognises amounts paid or payable in respect of the surcharge tax as an expense of the Fund. The expense (and any corresponding liability) is brought to account in the period to which the assessments are received by the Trustee and are properly payable by the Fund. All amounts paid are allocated back against the member accounts to which the surcharge relates.

9. Income Tax (continued)

(a) Income tax expense recognised in income statement

	2023 $'m	2022 $'m
Current		
Current income tax benefit	**423**	110
Under provision in previous financial years	**(210)**	(184)
Deferred		
Deferred tax (expense)/benefit relating to temporary differences	**(1,099)**	1,102
Over provision in previous financial years	**117**	131
Total tax (expense)/benefit	**(769)**	1,159

(b) Reconciliation of income tax expense to prime facie income tax (expense)/benefit

The prime facie income tax (expense)/benefit on pre-tax changes in net assets reconciles to the income tax (expense)/benefit in the financial statements as follows:

	2023 $'m	2022 $'m
Operating result before income tax	**14,465**	(6,750)
Income tax (expense)/benefit calculated at 15% (2022: 15%)	**(2,170)**	1,012
Non-assessable investment income	**567**	(339)
Non-deductible expenses	**(273)**	(208)
Exempt pension income	**599**	47
Franking credits and foreign income tax offsets	**515**	651
Other	**86**	49
Under provision in prior year	**(93)**	(53)
Total tax (expense)/benefit	**(769)**	1,159

The tax rate used in the above reconciliation is the superannuation tax rate of 15% payable by Australian superannuation funds on taxable profits under Australian taxation law.

9. Income Tax (continued)

(c) Income tax expense recognised in the statement of changes in members' benefit

	2023 $'m	2022 $'m
Contributions and transfers in recognised in the statement of changes in members' benefits	**2,908**	4,338
Income tax expense calculated at 15% (2022: 15%)	**(436)**	(651)
Non-assessable contributions	**821**	944
Non-deductible benefits payments	**(1,477)**	(1,281)
Other	**(5)**	(7)
Under provision in prior year	**(18)**	(25)
Total tax expense	**(1,115)**	(1,020)

	2023 $'m	2022 $'m
Current income tax expense	**(1,113)**	(1,022)
Deferred tax (expense)/benefit relating to temporary differences	**(2)**	2
Total tax expense	**(1,115)**	(1,020)

The tax rate used in the above reconciliation is the superannuation tax rate of 15% payable by Australian superannuation funds on taxable profits under Australian taxation law.

(d) Current tax assets / liabilities

	2023 $'m	2022 $'m
Current tax assets are attributable to the following:		
Current tax (receivable)	**(297)**	(102)

9. Income Tax (continued)

(e) Deferred tax balances

The movements in temporary differences during the year were:

Recognised deferred tax assets and liabilities	2021 $'m	Charged to income $'m	Transferred in $'m	2022 $'m	Charged to income $'m	Transferred in $'m	2023 $'m
Deferred tax assets							
Unrealised capital losses	**488**	474	-	**962**	(218)	-	**744**
Unrealised forward foreign exchange and other losses	**76**	252	-	**328**	(180)	-	**148**
Administration expenses accrued but not incurred	**26**	13	-	**39**	(9)	-	**30**
Realised capital losses	**-**	-	-	**-**	69	-	**69**
Accrued franking credits	**22**	10	-	**32**	1	-	**33**
Total deferred tax assets	**612**	749	-	**1,361**	(337)	-	**1,024**
Deferred tax liabilities							
Unrealised capital gains	**2,482**	(483)	-	**1,999**	620	-	**2,619**
Unrealised forward foreign exchange gains and other gains	**10**	(10)	-	**-**	26	-	**26**
Accrued income	**16**	7	-	**23**	1	-	**24**
Total deferred tax liabilities	**2,508**	(486)	-	**2,022**	647	-	**2,669**
Net deferred tax liabilities	**1,896**	(1,235)	-	**661**	984	-	**1,645**

9. Income Tax (continued)

Potential impact of Australian Taxation Office (ATO) audit

Aware Super has regular interactions with the Australian Taxation Office (ATO) and from time to time, there are various matters under ATO review or audit. In July 2022, the ATO commenced an audit on certain matters. As of the reporting date, the ATO has not provided Aware Super with a position paper indicating that further tax may be payable or any amended tax assessments. The taxation issues covered by the audit are complex and dependent on their facts. Aware Super believes it has acted in accordance with tax legislation and independent advice obtained, and believes the positions in respect of the matters subject to audit are reasonable.

10. Payables

Payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services and are recognised at their nominal value which is equivalent to fair value.

The Fund recognises a benefit to be payable when a member's valid withdrawal notice is received, and it has been approved by the Trustee in accordance with the Fund's Trust Deed. Benefits paid and payable are measured at their nominal values as prescribed by the Fund's Trust Deed.

Benefits payable represent amounts which have not been paid where a valid withdrawal notice has been received.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using an incremental borrowing rate. Subsequently, lease liabilities are adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

	2023 $'m	2022 $'m
Investment payables (unsettled investments)	**284**	984
Benefits payable	**56**	55
Lease liabilities	**116**	134
Other payables	**178**	202
Total payables	**634**	1,375

Set out below are the carrying amounts of recognised lease liabilities and movements during the period:

	2023 $'m	2022 $'m
At the beginning of the period	**134**	133
Additions	**1**	17
Disposal	**-**	-
Lease modifications	**(2)**	-
Payments	**(21)**	(20)
Accretion of interest	**4**	4
At the end of the period	**116**	134

11. Income statement

Revenue recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent to which it is probable that economic benefits will flow to the Fund and the amount of revenue can be reliably measured.

The following recognition criteria relates to the different items of *Investment revenues* the Fund receives:

Interest revenue

Revenue on money market and fixed interest securities is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount. If interest is not received at balance sheet date, the balance is reflected in the Statement of Financial Position as a receivable.

Dividend revenue

Revenue from dividends is recognised on the date the shares are quoted ex-dividend. If the dividend is not received at balance sheet date, the balance is reflected in the Statement of Financial Position as a receivable.

Changes in fair value of investments

Changes in the fair value of investments are recognised as revenue and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

Changes in fair value of financial liabilities

Changes in the fair value of financial liabilities are recognised as revenue (or expense) and are determined as the difference between the fair value at year end or consideration paid (if settled during the year) and the fair value as at the prior year end or amount originally incurred (if the financial liabilities were incurred during the period).

Distributions from unit trusts

Distribution income is recognised on a receivable basis on the date the unit value is quoted ex-distribution. Where the distribution is not received at reporting date, the balance is reflected in the Statement of Financial Position as a receivable.

Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at the reporting date are translated at the exchange rate existing at that date. Exchange differences are recognised in the Income Statement in the period in which they arise.

11. Income statement (continued)

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. 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.

(a) Changes in fair value of investments

	2023 $'m	2022 $'m
Investments held at reporting date:		
Cash investments	**(9)**	-
Discounted securities	**-**	-
Fixed income securities	**(102)**	(1,763)
Private market credit securities	**(2)**	(21)
Listed equities	**9,888**	(9,123)
Unlisted equities	**25**	(190)
Listed unit trusts	**(47)**	(385)
Unlisted unit trusts	**(10)**	3,155
Derivatives	**1,499**	(702)
Total unrealised changes in fair value	**11,242**	(9,029)
Investments realised during the reporting period:		
Cash investments	**27**	(72)
Discounted securities	**2**	-
Fixed income securities	**26**	(103)
Private market credit securities	**1**	(1)
Listed equities	**843**	(1,628)
Unlisted equities	**4**	-
Listed unit trusts	**(26)**	14
Unlisted unit trusts	**(71)**	(60)
Derivatives	**(3,035)**	(824)
Total realised changes in fair value	**(2,229)**	(2,674)
Total changes in fair value of Investments	**9,013**	(11,703)

11. Income statement (continued)

(b) Investment expenses

	2023 $'m	2022 $'m
Investment base fees	**(259)**	(283)
Withholding tax expense	**(141)**	(111)
Investment performance fees	**(18)**	(11)
Transaction costs	**(65)**	(65)
Total investment expenses	**(483)**	(470)

Withholding tax expense represents withholding tax on foreign distribution income, with the increase year on year driven by the increase in foreign dividend income over the same period.

(c) Administration expenses

	2023 $'m	2022 $'m
Depreciation – right-of-use assets	**(19)**	(20)
Interest expense – lease liability	**(4)**	(4)
Sponsorship and advertising	**(21)**	(17)
Other administration expenses	**(282)**	(297)
Total administration expenses	**(326)**	(338)

12. Insurance arrangements

The Fund provides death and disability benefits to its members. The Trustee has a group policy in place with third-party insurance companies to insure these death and disability benefits for the members of the Fund.

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

The Trustee determined that the Fund is not exposed to material insurance risk because:

- members (or their beneficiaries) will only receive insurance benefits if the external insurer pays the claim;
- insurance premiums are only paid through the Fund for administrative reasons; and
- insurance premiums are effectively set directly by reference to premiums set by an external insurer.

13. Defined contribution member liabilities

Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure defined contribution member liabilities. Unit prices are updated on daily basis for movements in investment markets. The Fund's management of the investment market risks is as disclosed within note 5.

Defined contribution members' liabilities include allocated benefits and unallocated contributions.

Unallocated contributions are contributions received but not yet allocated to specific member accounts or reserves on reporting date.

14. Defined benefit member liabilities

Defined benefit member liabilities are measured as the estimated present value 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 that date when they are expected to fall due.

Aware Super recognised two defined benefit sub funds being the Health Super DB Fund and the Victorian Independent Schools Superannuation Fund (VISSF) DB Fund (together as the "DB Funds"). The Health Super defined benefit plan was closed to new members from the 1 January 1994, with all new members subsequent to that date joining the defined contribution plan of the Fund. On 31 March 2023 all of the VISSF DB sub-funds were wound up.

The Fund engages qualified actuaries annually. The appointed actuaries report to the Trustee on the status of the defined benefit sub-funds. Where a sub-fund is in, or likely to enter, an unsatisfactory financial position, the report will set out any remedial action and agreed rectification programs.

The Trustee manages liquidity risk by having sufficient liquid funds to meet member pension payments and redemptions within the time frames established by the Trustee and communicated to members. The net assets of the DB Fund exceed the vested benefits as at 30 June 2023 and therefore is in a satisfactory financial position as at the reporting date.

Mercer Consulting (Australia) Pty Ltd is the Independent Actuary for the DB fund. Noting that the VISSF DB sub-funds were wound up on 31 March 2023, the Independent Actuary has reviewed and considered the rate of contributions for active defined benefit members of the Health Super DB Fund and expects the fund to maintain a satisfactory financial position over the next three years. The employers are contributing at the amount recommended by the actuary.

14. Defined benefit member liabilities (continued)

(a) Health Super Defined Benefit Fund

The Fund has no information that would lead it to adjust the factors or assumptions used by the actuary for discount rate, salary adjustment rate, resignations and mortality, which are all unchanged from previous reporting period.

The summary financial position of the Health Super DB Fund, a sub-fund of Aware Super, is per the table below:

Accrued Benefits	2023 $'m	2022 $'m
Net assets available to pay defined benefits as at 30 June	**1,021**	1,057
Accrued benefits – Defined benefits as at 30 June	**1,004**	959
Defined benefits surplus	**17**	98

Vested Benefits	2023 $'m	2022 $'m
Net assets available to pay defined benefits as at 30 June	**1,021**	1,057
Vested benefits – Defined benefits as at 30 June	**1,005**	965
Surplus of net assets over vested benefits	**16**	92
Vested Benefits Index at 30 June	**101.6%**	109.5%

Aware Super entered into an annuity buy-in arrangement with Challenger Limited ('Challenger') to achieve a de-risking solution for Aware's defined benefit fund. Under the arrangement, Challenger agreed to provide a group lifetime annuity to the value of $619 million that will de-risk the fund's lifetime pension liabilities from investment, inflation, and longevity risks. The future cash flows for defined benefits members' retirement income will be provided by the buy-in provider, Challenger, in exchange for a lump sum paid by Aware Super at the time of acquiring the master annuity as an asset. This group lifetime annuity policy commenced from 31 July 2023.

(b) VISSF Defined Benefit Funds

VISSF defined benefit fund wound up on 31st March 2023 with remaining interests being transferred into the Aware defined contribution accumulation fund. As at 30 June 2023 the fund reported member liabilities of $nil ($22 million as at 30 June 2022) and defined benefits surplus of $nil ($10 million as at 30 June 2022).

15. Leases (Fund as lessee)

The Fund leases several assets including buildings, car parking spaces, IT equipment and motor vehicles. Leases relating to IT equipment and motor vehicles are of low value or short term.

The total cash outflow for leases amounted to $20.5 million (2022: $19.6 million).

Lease liabilities maturity analysis	2023 $'m	2022 $'m
Payable not later than one year	**21**	21
Payable later than one year but not later than five years	**75**	80
Payable later than five years	**33**	50
	129	151

The Fund has no liquidity risk with regard to its lease liabilities.

16. Commitments for Expenditure

The Fund has capital commitments in relation to investment commitments and other commitments as below. Commitments contracted for at the reporting date but not recognised as liabilities are as follows:

Expenditure Commitments	2023 $'m	2022 $'m
Investment commitments		
Property, private equity and infrastructure	**4,592**	3,664
Other commitments		
Administration platform system	**5**	7
	4,597	3,671

The Fund has entered into contractual commitments to support the development of a new member administration platform system for the Fund. The commitment attributable to Aware Super was $5 million at 30 June 2023 (2022: $7 million).

The Fund has a lease commitment for its office location at 555 Collins Street, Melbourne ("the building"), which is due to commence on 1 November 2023 for a lease term period of 10 years, with option to extend. The total amount of commitment over the lease term is $82 million.

17. Contingent Liabilities

The Fund has contingent liabilities under subscription agreements with controlled entities as follows:

Contingent Liabilities	2023 $'m	2022 $'m
Property, private equity and infrastructure	**197**	467

The agreements are only activated in the event a controlled entity is unable to repay its borrowings and allows the controlled entity to compel the Fund to subscribe for sufficient equity to repay its borrowings.

As at 30 June 2023, the undrawn loan available was $197 million (2022: $467 million), based on total facility of $3,629 million (2022: $3,506 million).

Trustee Fee

Under the Trust Deed, the Trustee may determine and charge a fee, to be retained for the Trustee's own purposes, for any of the duties or services that the Trustee performs in its capacity as trustee of the Fund. The use of this fee power is governed by a Trustee Fee Policy which determines that a fee may only be charged where the Trustee has incurred a relevant cost that it has not otherwise received compensation for. This fee is expected to be funded from the administration reserve of the Fund. The maximum fees that may be charged in a financial year is reviewed annually and was capped at $42 million (exclusive of GST) for the financial year ended 30 June 2023. For the year ended 30 June 2023 (2022: no fees charged), no trustee fees were charged by the Trustee to the Fund.

18. Notes to the Cash Flow Statement

Reconciliation of net inflows from operating activities to operating results after income tax.

	2023 $'m	2022 $'m
Operating results after income tax	**13,696**	(5,591)
Changes in fair value of investments	**(9,013)**	11,703
Insurance premiums paid	**(722)**	(668)
Financial planning fees paid	**(34)**	(44)
(Increase) in receivables	**(3)**	(21)
Decrease in plant and equipment	**21**	4
(Increase) in intangibles	**(79)**	(54)
(Decrease)/increase in accounts payable	**(32)**	29
Increase/(decrease) in provision for net deferred tax liabilities	**985**	(1,236)
(Decrease) in provision for tax	**(461)**	(1,106)
Net inflows of cash from operating activities	**4,358**	3,016

19. Related Parties

The Trustee of the Aware Super is Aware Super Pty Ltd (ABN 11 118 202 672).

Key Management Personnel

The following were key management personnel of the Fund. No Executive is a Director of the Trustee.

Non-Executive Directors of the Trustee	
Mr N Cochrane	Independent Director & Chair of the Board (retired 28 February 2023)
Ms S Mostyn	Independent Director & Chair of the Board (appointed 1 March 2023)
Ms P Carew	Member representative, Australian Nursing and Midwifery Federation (VIC branch)
Ms A Masiero	Member representative, Australian Education Union (VIC branch)
Mr J Dixon	Member representative, Unions NSW
Ms A Nigro	Member representative, Unions NSW
Mr M Morey	Member representative, Unions NSW (resigned 24 October 2022)
Mr S Little	Member representative, Unions NSW (appointed 4 November 2022)
Ms P Faulkner AO	Employer representative, jointly appointed by Department of Education and Training Victoria and the Victorian Public Sector Commission
Ms J Furlan	Employer representative, NSW Department of Premier and Cabinet & the Treasury, NSW
Mr P Moffitt	Employer representative, NSW Department of Premier and Cabinet & the Treasury, NSW
Ms R Ramwell	Employer representative, NSW Department of Premier and Cabinet & the Treasury, NSW
Mr T Symondson	Employer representative, Victorian Healthcare Association (resigned 31 January 2023)
Ms L Clarke	Employer representative, Victorian Healthcare Association (appointed 1 February 2023)

Executives	
Ms D Stewart	Chief Executive Officer
Ms J Brennan	Chief Operating Officer
Ms J Couchman	Chief Risk Officer
Mr R Elliott	Group Executive, Finance Strategy & Transformation
Ms S Forman	Group Executive, Advice
Mr D Graham	Chief Investment Officer
Mr S Hill	Group Executive, People and Workplace Environment
Ms D Mika	Chief of Staff (Acting Group Executive, Member Growth until 11 October 2021, retired 15 July 2022)
Mr I Pendleton	Group Executive, Legal & Company Secretary
Mr S Travis	Group Executive, Member Growth

19. Related Parties (continued)

The key management personnel compensation in relation to services to the Fund is as follows:

KMP Compensation	2023 $	2022 $
Short-term employee benefits, non-executive Directors' and Executives' salaries	**8,280,905**	8,098,842
Post-employment benefits, superannuation contributions made on behalf of non-executive Directors and Executives	**361,298**	371,159
Other long-term employee benefits, long service leave expenses for Executives	**1,036,278**	831,651
Termination benefits	**41,121**	33,695
Total Compensation	**9,719,602**	9,335,347

The fees or salaries provided to Directors include superannuation fund contributions and fees received for acting as a Director or a member of a committee.

The membership terms and conditions for those Directors and Executives who are members of the Fund are the same as those available to other members of the Fund.

Where any of the Trustee's Directors are directors, consultants or executive officers of, or otherwise related to, an entity with which the Fund transacts, those transactions are conducted on an arms-length basis, under normal commercial terms and conditions. The Trustee regularly updates its Conflicts Registers and ensures any conflicting interest is appropriately managed by, for example, the conflicted Director declaring their interest to the meeting, the Director being requested not to participate in the discussion, or the Director absenting himself or herself from the discussion.

The Trustee is reimbursed by the Fund, on a cost recovery basis, for the remuneration paid to Directors. Details of transactions between the Fund and its Trustee are set out below:

Aware Super Pty Ltd	2023 $	2022 $
Reimbursement to the Trustee for the remuneration paid to Directors	**1,527,786**	1,731,449
Amounts owed to the Trustee	**(78,215)**	(85,060)

Aware Super Pty Ltd is the trustee of the Fund, a related party, which is not part of the Fund.

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the current or prior periods for bad or doubtful debts owed by related parties.

Balances and transactions between the Fund and its controlled Service entities, which are related parties, have been eliminated on consolidation on net basis through profit and loss, rather than a line-by-line basis of elimination and are not disclosed in this note for financial year end 30 June 2023 and for the comparative financial year end 30 June 2022.

20. Controlled Entities

The Fund is an investment entity and therefore except for Service subsidiaries[1] which are consolidated using the equity method, the Fund does not consolidate controlled entities which are carried at fair value.

Further details of the Fund's directly held controlled entities, and both directly and indirectly held Service entities are shown in the table below.

		Equity holding		Commitments for expenditure	
Name	**Country of incorporation**	**2023 %**	**2022 %**	**2023 $'m**	**2022 $'m**
Altis Real Estate Trust	Australia	**100**	100	**-**	-
ALTRAC Light Rail Holdings 2 Pty Ltd	Australia	**100**	100	**-**	-
Aware Financial Services Australia Ltd [1]	Australia	**100**	100	**-**	-
Aware Real Estate Management	Australia	**99.9**	99.9	**-**	-
Aware Super Clean Energy Trust	Australia	**100**	100	**-**	-
Aware Super Custodial Services Pty Ltd	Australia	**100**	100	**-**	-
Aware Super ELG Finco Pty Ltd	Australia	**100**	100	**-**	-
Aware Super Intermodal Terminal Company Pty Ltd	Australia	**100**	100	**-**	-
Aware Super ITC Platform Trust	Australia	**100**	-	**-**	-
Aware Super Legal Pty Ltd [1]	Australia	**100**	100	**-**	-
Aware Super Private Equity SRI Trust [2]	Australia	**-**	100	**-**	-
Aware Super Private Equity Trust	Australia	**100**	100	**-**	-
Aware Super Property Holdings II Australia Pty Ltd	Australia	**100**	100	**-**	-
Aware Super Services Pty Limited [1]	Australia	**100**	100	**-**	-
Aware Super Social Infrastructure Investment Company Pty Ltd	Australia	**100**	100	**-**	-
Aware Super UK Ltd [1]	United Kingdom	**100**	-	**-**	-
Birdwood DG Pty Ltd	Australia	**77**	-	**318**	-
Blackbird Aware Super Co-investment trust	Australia	**100**	100	**15**	15

[1] Service subsidiary

[2] Aware Super Private Equity SRI Trust wound up on the 30 June 2023.

20. Controlled Entities (continued)

		Equity holding		Commitments for expenditure	
Name	Country of incorporation	2023 %	2022 %	2023 $'m	2022 $'m
Darby Servtec Energia LP	United States of America	**100**	100	-	-
Exemplar Health (SCUH) Holdings 3 Pty Ltd	Australia	**100**	100	-	-
Exemplar Health (SCUH) Holdings 4 Pty Ltd	Australia	**100**	100	-	-
First State Super Holdings Pty Ltd [1]	Australia	**100**	100	-	-
First State Super Private Equity Trust	Australia	**100**	100	-	-
First State Super Product and Administration Services Pty Ltd [1]	Australia	**100**	100	-	-
FSS Agriculture 1 Pty Ltd	Australia	**100**	100	-	-
FSS BAC Airports 1 Pty Ltd	Australia	**100**	100	-	-
FSS Darling Square Trust	Australia	**100**	100	-	-
FSS Energy Credit Trust	Australia	**100**	100	-	-
FSS Infrastructure Trust	Australia	**100**	100	-	-
FSS Liberty Trust	Australia	**100**	100	-	-
FSS Multi Family Residential Trust	Australia	**100**	100	-	-
FSS NSW Almond Orchards Trust	Australia	**100**	100	-	-
FSS Product Services Trust [1, 2]	Australia	**100**	100	-	-
FSS Real Estate Trust	Australia	**100**	100	-	-
FSS Retirement Villages Trust	Australia	**100**	100	-	-
FSS SA Almond Orchards Trust	Australia	**100**	100	-	-

[1] Service subsidiary

[2] Parent entity of Aware Financial Services Australia Limited

20. Controlled Entities (continued)

		Equity holding		Commitments for expenditure	
Name	Country of incorporation	2023 %	2022 %	2023 $'m	2022 $'m
FSS Two Melbourne Quarter Trust	Australia	**100**	100	**-**	-
FSS Vic Almond Orchards Trust	Australia	**100**	100	**-**	-
FSSSP Financial Services Pty Limited [1]	Australia	**100**	100	**-**	-
Golden NA Co-Invest Blocker 1 LLC	United States of America	**100**	100	**-**	-
LGS Investment Trust	Australia	**100**	100	**-**	-
Oak Tree Debt Trust	Australia	**100**	100	**-**	-
V.I.S. Nominees Pty Limited[1]	Australia	**100**	-	**-**	-
VicSuper Ecosystem Services Pty Ltd [1]	Australia	**100**	100	**-**	-
VicSuper Future Farming Landscapes Land Holdings Trust	Australia	**100**	100	**-**	-
VicSuper Future Farming Landscapes Trust	Australia	**100**	100	**-**	-
VicSuper International Private Equity Trust	Australia	**100**	100	**-**	-
VicSuper Pty Limited [1]	Australia	**100**	100	**-**	-
Voltaire Holding Trust	Australia	**50**	-	**-**	-
Western Property Trust No. 2	Australia	**100**	100	**-**	-
WA Local Government Superannuation Plan Pty Ltd[1]	Australia	**100**	100	**-**	-

[1] Service subsidiary

In addition to the above, the Fund also has 14 controlled entities as at the reporting date which acted as the trustee for the above entities. Each entity had nominal carrying value. There were no transactions during the financial year between the trustees for the controlled entities and the Fund or Aware Super Pty Limited.

21. Remuneration of External Auditors

External Auditor's Remuneration	2023 $	2022 $
External audit report in relation to Financial Statements and Compliance:		
Aware Super Pty Ltd	**16,800**	16,000
Aware Super	**841,750**	750,500
Total Audit Fees	**858,550**	766,500
Other services:		
Risk and regulatory related services	**169,459**	226,116
Information technology services	**188,766**	133,783
Digital transformation services	**120,000**	122,943
Tax consulting services	**-**	67,556
Strategy and advisory services	**555,077**	-
Other consulting services	**2,575**	22,000
Total Other Services Fees	**1,035,877**	572,398

Audit services for the years ended 30 June 2023 and 30 June 2022 were provided by Deloitte Touche Tohmatsu.

Deloitte Touche Tohmatsu and Aware Super have appropriate procedures in place for the pre-approval of non-audit services and Deloitte have confirmed they have met the independence requirements of the Corporations Act with respect to the conduct of the financial statement external audit.

22. Subsequent Events

Aware Super entered into an annuity buy-in arrangement with Challenger Limited ('Challenger') to achieve a de-risking solution for Aware's defined benefit fund. Under the arrangement, Challenger agreed to provide a group lifetime annuity to the value of $619 million that will de-risk the fund's lifetime pension liabilities from investment, inflation, and longevity risks. The future cash flows for defined benefits members' retirement income will be provided by the buy-in provider, Challenger, in exchange for a lump sum paid by Aware Super at the time of acquiring the master annuity as an asset. This group lifetime annuity policy commenced from 31 July 2023.

Apart from the matters noted above, no other significant events have occurred since the end of the reporting period which would impact on the net assets of the Fund as at 30 June 2023 or the Statement of Changes in Equity/Reserves of the Fund for the year ended on that date.

End of audited financial report