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## To the Presiding Member Police Superannuation Board

### Opinion

I have audited the financial report of the Police Superannuation Scheme for the financial year ended 30 June 2023.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Police Superannuation Scheme as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Financial Position as at 30 June 2023
- an Income Statement for the year ended 30 June 2023
- a Statement of Changes in Member Benefits for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Presiding Member, Police Superannuation Board, and the Manager, Police Super.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Police Superannuation Scheme. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

## **Basis for opinion**

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Police Superannuation Scheme. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

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

## **Responsibilities of the Manager, Police Super and the members of the Police Superannuation Board for the financial report**

The Manager, Police Super is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Manager, Police Super is responsible for assessing the Police Superannuation Scheme's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Manager, Police Super is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The members of the Police Superannuation Board are responsible for overseeing the entity's financial reporting process.

## **Auditor's responsibilities for the audit of the financial report**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of Police Superannuation Scheme for the financial year ended 30 June 2023.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Police Superannuation Scheme's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager, Police Super
- conclude on the appropriateness of the Manager, Police Super'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 entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Manager, Police Super and the members of the Police Superannuation Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Daniel O'Donohue  
**Assistant Auditor-General (Financial Audit)**

22 September 2023

**POLICE**

**SUPERANNUATION**

**SCHEME**

**Financial Statements**  
**2022/2023**

## Police Superannuation Scheme

### Certification of the Financial Report for 30 June 2023

We certify that the:

- financial statements of the Police Superannuation Scheme:
  - are in accordance with the accounts and records of the authority; and
  - comply with the relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the Scheme as at 30 June 2023 and the result of its operations and cash flows for the financial year.

Internal controls employed by the Police Superannuation Scheme over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



(G Barton)

**Presiding Member  
Police Superannuation Board**

15/09/2023



(J Gesty)

**Manager  
Police Super**

15/09/2023

## Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Assets</b>			
Cash and Cash Equivalents	2	1,514	1,538
Contributions Receivable		93	55
Receivables		18	331
<b>Investments</b>	2		
Property Tax Exempt		404,777	417,153
Australian Equities Tax Exempt		484,781	441,404
International Equities Tax Exempt		707,446	620,815
Diversified Strategies – Growth		439,326	421,173
Diversified Strategies – Income		329,815	316,428
Cash		7,742	60,438
Investment Option Overlay		88	0
<b>Total Assets</b>		<u>2,375,600</u>	<u>2,279,335</u>
<b>Liabilities</b>	2		
Benefits Payable		(196)	(518)
Payables		(214)	(209)
<b>Total Liabilities Excluding Member Benefits</b>		<u>(410)</u>	<u>(727)</u>
<b>Net Assets Available for Member Benefits</b>		2,375,190	2,278,608
<b>Member benefits</b>			
Defined Benefit Member Liabilities	3	2,552,887	2,454,489
<b>Total net assets / (liabilities)</b>		<u>(177,697)</u>	<u>(175,881)</u>
<b>Equity</b>			
Defined benefits that are over or (under) funded	3	(177,697)	(175,881)
<b>Total equity</b>		<u>(177,697)</u>	<u>(175,881)</u>

**Police Superannuation Scheme**

**Income Statement for the year ended 30 June 2023**

	Note	2023 \$'000	2022 \$'000
<b>Superannuation activities</b>	2		
Changes in assets measured at fair value		198,365	(15,877)
Other revenue		52	(1)
<b>Total revenue</b>		198,417	(15,878)
Investment Expense	7	(16,349)	(25,428)
Administration Expenses	6	(1,033)	(957)
<b>Total Expenses</b>		(17,382)	(26,385)
<b>Profit from superannuation activities</b>		181,035	(42,263)
Net change in defined benefit member liabilities		(182,851)	(188,756)
<b>Net profit/(loss)</b>		(1,816)	(231,019)

**Statement of Changes in Member Benefits for the year ended 30 June 2023**

	Note	2023 \$'000	2022 \$'000
<b>Opening balance as at 1 July</b>		2,454,489	2,327,960
<b>Contributions</b>			
SA Government Past service liability contributions		42,112	53,282
Employer contributions		15,713	18,264
Member contributions		2,908	3,399
<b>Total</b>		60,733	74,945
<b>Benefits paid</b>			
Pensions		(126,218)	(112,771)
Commutation lump sums		(8,079)	(12,499)
Lump sums		(10,890)	(11,902)
<b>Total</b>		(145,187)	(137,172)
Net change in defined benefits		182,851	188,756
<b>Closing balance as at 30 June</b>		2,552,887	2,454,489

**Police Superannuation Scheme**

**Statement of Cash Flows for the year ended 30 June 2023**

	Note	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Bank interest received		45	-
Administration expenses		(1,028)	(885)
<b>Net outflows of cash from operating activities</b>		(983)	(885)
<b>Cash flows from investing activities</b>			
Receipts from the sale of investments from Funds SA		127,565	115,315
Payments to Funds SA for the purchase of investments		(42,112)	(53,282)
<b>Net inflows from investing activities</b>		85,453	62,033
<b>Cash flows from financing activities</b>			
Contributions from SA Government past service liability		42,112	53,282
Contributions from employer		15,681	18,218
Contributions from members		2,903	3,393
<b>Benefits paid to members</b>			
Pensions		(125,895)	(116,618)
Commutation lump sums		(8,079)	(12,499)
Lump sums		(11,215)	(11,385)
<b>Net outflows from financing activities</b>		(84,493)	(65,609)
<b>Net increase/decrease in cash</b>		(23)	(4,459)
Cash at the beginning of the financial period		1,538	5,997
<b>Cash at the end of the financial period</b>		1,514	1,538

**Statement of Changes in Equity for the year ended 30 June 2023**

	Note	2023 \$'000	2022 \$'000
<b>Opening balance as at 1 July</b>	3	(175,881)	55,138
Net profit/(loss)		(1,816)	(231,019)
<b>Closing balance as at 30 June</b>	3	(177,697)	(175,881)

**Notes to and Forming Part of the Financial Statements**

**1. Objectives and Funding**

**(a) Police Superannuation Scheme**

The Police Superannuation Scheme (the Scheme) was created pursuant to the *Police Superannuation Act 1990* (the Act). The Act provides defined superannuation benefits for Police Officers who are contributors to the Scheme.

Contributors to the Scheme are members of the Pension Division who are entitled to a pension-based benefit. The Pension Division was closed to new members in May 1990.

Pursuant to the Act, contributors make contributions to the Scheme based on a percentage of their salary, with the standard contribution rate being between five and six percent. A contribution account is maintained for each contributor. There are no provisions under the Act for contributing members to purchase additional benefits.

The Act requires that contributions to the Scheme are paid to the Treasurer, who in turn deposits those contributions into the Scheme. The Scheme is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Scheme is made up of one division, being the Pension Division. The Pension Division consists of the Fund Old Scheme Account (the Fund) and the Police Employer Account (the Govt) and contributions paid to each account and the accretions arising from the investment of those contributions.

**(b) Police Superannuation Board**

The Police Superannuation Board (the Board), established under the Act, is responsible for the administration of the Scheme. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the relevant Minister, has contracted the South Australia Police Department (SAPOL) to provide administrative services.

Pursuant to the Act, the Board is required to determine a rate of return which is credited to each contribution account within the Fund at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by the investment of the Fund. The Boards determined rate of return for 2022-2023 financial year was 8.1% (-1.7% for 2021-2022).

**(c) Superannuation Funds Management Corporation of South Australia**

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Funds SA Act). Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the Police Employer Account, reference should be made to the financial report of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA, a SA Government entity.

**(d) Funding Arrangements**

Pursuant to section 14 of the Act, all benefit payments are met from the Consolidated Account or a Special Deposit Account established for that purpose which is then reimbursed from the Fund and the Police Employer Account within the Pension Division. The Fund proportion is that amount charged against the contributor's contribution account. The prescribed proportion is determined by the Board, in accordance with section 14(3) of the Act, taking into account the most recent actuarial review.

The Treasurer may also seek reimbursement of the employer portion of the benefit payment from the employer contributions made by SAPOL which are deposited into the Police Employer Account. Employer contributions are based on a percentage of salary at rates based on actuarial valuations. The rate for 2022-2023 was 22 percent.

For 2022-2023 the Police Employer Account's and the Fund's prescribed proportions of benefit payments for members of the Scheme were 76 percent and 24 percent respectively in accordance with the recommendations of Esther Conway, FIAA and Mark Nelson, FIAA in the Actuarial Report as at 30 June 2020.

The review completed for the 2020/2021 financial year with the balance sheet date of 30 June 2020 was completed by Mercer Consulting on 30 June 2021 and concluded that the Police Employer Account's and the Fund's prescribed proportions of benefit payments for members of the Scheme were to be retained at 76 percent and 24 percent respectively. The next triennial valuation is to be performed as at 30 June 2023.

For the year ended 30 June 2023 \$15.7 million (\$18.2 million in 2021-2022) was deposited into the Police Employer Account in relation to employer contributions on behalf of members.

Since 30 June 1994 the Government adopted a policy of fully funding its superannuation liabilities with a target of achieving full funding by 2034. This will require contributions at levels higher than the current employer contributions to meet the accruing liability for current employees. For the year ended 30 June 2023 the Government transferred a further \$42.1 million (\$53.2 million in 2021-2022) to the Police Employer Account to meet liabilities in respect of the Scheme.

**2. Significant Accounting Policies**

**(a) Basis of Accounting**

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, except as provided below.

This financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$'000).

The financial statements were signed by Mr G Barton, Presiding Member and Mr J Gesty, Manager Police Super on 15 September 2023.

**(b) New Accounting Standards**

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 financial year and have not been early adopted by Police Super other than AASB 2021-2 which was adopted from 1 July 2021. These standards and interpretations are not expected to have a material impact on Police Super.

**(c) Financial Assets and Liabilities**

**(a) Classification**

The Scheme classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

*Financial assets and liabilities held for trading:*

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into, if any, by the Scheme do not meet

## Police Superannuation Scheme

the hedge accounting criteria as defined by AASB 9. Consequently, hedge accounting is not applied by the Scheme.

*Financial instruments designated at fair value through profit or loss upon initial recognition:*

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

*Other financial liabilities*

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

### **(b) Recognition**

The Scheme recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Scheme commits to purchase or sell the asset.

### **(c) Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- i. The rights to receive cash flows from the asset have expired; or
- ii. The Scheme has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- iii. Either:
  - a) the Scheme has transferred substantially all the risks and rewards of the asset, or
  - b) the Scheme has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

### **(d) Initial recognition**

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

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

**(e) *Subsequent Measurement***

After initial measurement, the Scheme measures investments at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement. Interest earned is recorded in 'Interest revenue'.

**(f) *Fair Value Measurement***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Scheme.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Scheme uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

**(g) Cash and Cash Equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

**(h) Receivables and Payables**

Receivables are carried at nominal amounts due that approximate fair value. Receivables are normally settled within 30 days.

Payables are carried at nominal amounts that approximate fair value. They represent liabilities for goods and services provided to the Scheme prior to the end of the financial year that are unpaid when the Scheme becomes obliged to make future payments in respect of the purchase of these goods or services.

**(i) Benefits Payable**

Benefits payable are valued at fair value and relate to members who have ceased employment and provided the Scheme with appropriate notification on or prior to 30 June 2023 but paid after 30 June 2023. These also include pension payments payable on or prior to 30 June 2023 but paid after 30 June 2023.

**(j) Investment Revenue**

*Changes in fair values*

Changes in the fair value of investments invested with Funds SA are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point. All changes are recognised in the income statement.

*Interest*

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and recognised in the income statement.

**(k) Taxation**

The Scheme is a constitutionally protected superannuation fund in terms of Section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax. Therefore, no income tax has been brought to account in this financial report.

**(l) Goods and Services Tax (GST)**

## Police Superannuation Scheme

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

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the ATO are classified as operating cash flows.

### **(m) Foreign Currency**

The functional and presentation currency of the Scheme is Australian Dollars, which is the currency of the primary economic environment the Scheme operates. The Scheme's performance is evaluated and its liquidity managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

### **(n) Investments**

#### **(i) Property Tax Exempt**

The Property Tax Exempt portfolio comprises two sub-sectors:

##### ***Listed property trusts***

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this sub-sector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

##### ***Unlisted property vehicles***

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

#### **(ii) Australian Equities Tax Exempt**

The Australian Equities Tax-Exempt portfolio comprises investments in listed Australian equities and is invested and managed by external

managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date.

**(iii) International Equities Tax Exempt**

The International Equities Tax-Exempt portfolio comprises investments in equities listed on international share markets and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid rates applicable at balance date where applicable.

**(iv) Diversified Strategies - Growth Tax Exempt**

The Diversified Strategies Growth Tax-Exempt asset class incorporates two sub sectors:

***Private Markets Tax-Exempt***

The Private Markets Tax-Exempt portfolio comprises investments in Australian and international private equity funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

***Core Infrastructure Tax-Exempt***

The Core Infrastructure Tax-Exempt portfolio comprises investments in Australian and international infrastructure pooled funds, which are invested and managed by external managers. The valuation of these investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

**(v) Diversified Strategies Income**

The Diversified Strategies Income asset class incorporates three sub sectors:

***Defensive Alternatives***

The Defensive Alternatives portfolio comprises investments in Australian and international pooled funds and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

***Credit***

The Credit Taxable portfolio comprises investments in discretely managed investments and Australian and international pooled funds and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

***Growth Alternatives***

The Growth Alternatives Tax-Exempt portfolio comprises investments in discretely managed investments and Australian and international pooled funds and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

**(vi) Cash**

The Cash portfolio comprises investments in a discretely managed investment which is managed by an external manager and is valued by the custodian appointed to hold the assets using market prices applicable at balance date. Deposits at call have been valued on the basis of principal plus accrued interest.

**(vii) Investment Option Overlays**

The Investment Option Overlays contain cash and accrual balances at the investment option level.

**(o) Operation of Investment Portfolio**

Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA (refer Note 1 (c)). Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public

sector superannuation funds. For the year ending 30 June 2023, funds of the Scheme were invested in the Defined Benefit option.

Reference should be made to Funds SA's Annual Report for the strategic asset allocations applying to the Defined Benefit investment option discussed in the preceding paragraph.

### **(p) Member Liabilities**

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

### **(q) Significant accounting judgements, estimates and assumptions**

The preparation of the Scheme's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been represented to be consistent with current period disclosures.

#### *Fair Value of Investments*

Fair Value of investments are accepted directly from Funds SA.

When the fair values of the investments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including a discounted cash flow model (DCF model). The inputs in these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required to establish fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of these investments.

#### *Valuation of defined benefits member liabilities*

The amount of member liabilities in relation to defined benefits has been determined using actuarial valuation techniques and assumptions. An actuarial valuation involves making various assumptions about the future. Actual developments in the future may differ from these assumptions. The assumptions member turnover, future investment returns, pension indexation rates, mortality rates and future salary increases. Due to the complexities involved in the valuation and its long term nature, defined benefit member liabilities are highly sensitive to changes in these assumptions. Assumptions are reviewed at each reporting date.

## Police Superannuation Scheme

In determining the appropriate discount rate, the actuary considers an investment portfolio that reflects the opportunities reasonably available to the Scheme in the investment markets, and also reflects the Scheme's actual investments and investment strategy in respect of defined benefit member liabilities.

The mortality assumption is based on publicly available mortality tables. Future salary increases are based on the Wage Price Index produced by the Australian Bureau of Statistics and in consultation with the employer-sponsors.

### 3. Defined Benefit Member Liabilities

The present value of the accrued defined benefit member liabilities of the Scheme has been determined by Ms E Conway, FIAA of Mercer Consulting (Australia) Pty Ltd in the Police Superannuation Scheme - AASB 1056 Liability at 30 June 2023 report dated 24 August 2023 and is shown below.

The accrued benefit liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to the balance date and were based on membership data as at the balance date.

The expected future benefit payments have been determined using the 2020 triennial review assumptions relating to mortality, disability, withdrawal, preservation, and retirement. The review's salary promotion scale has also been used, while general salary increases of 2.5 percent per annum above the level of increase in the Consumer Price Index (CPI) have been allowed for. The expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate. A discount rate of 7.0 percent per annum above CPI has been applied. CPI of 4.0% has been used in 2022-23 and assumption of 2.5% thereafter.

#### Accrued Benefits

	2023 \$'000	2022 \$'000
	Pension Division	Pension Division
Changes in the liability for accrued benefits:		
Liability for accrued benefits at 1 July	2,454,489	2,327,960
Add: Contributions	60,733	74,945
Less: Benefits Paid	145,186	137,172
Add: Net Change in Defined Benefits	182,851	188,756
 Defined Benefit Member Liability for accrued benefits at 30 June	 2,552,887	 2,454,489
 Represented by		
Fund Account	612,694	589,077
Police Employer Account	1,940,193	1,865,412
 Totals	 2,552,887	 2,454,489

## Police Superannuation Scheme

Pursuant to the Act, actuarial reviews of the Scheme must be conducted every three years to address the cost of the Scheme to Government and the proportion of future benefits that can be met from the Fund. The actuarial reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

During 2022-2023 the funding proportion for the Fund Old Scheme Account was 24 percent and the Government contribution for future service liabilities for 2022-2023 was 22 percent.

The following table illustrates the unfunded/funded liability of the Scheme as at 30 June 2023 and the previous year.

### Unfunded/(Funded) Liability

	2023 \$'000	2022 \$'000
	Pension Division	Pension Division
Liability for accrued benefits at 30 June	2,552,887	2,454,489
Less net assets available to pay benefits at 30 June	2,375,190	2,278,608
Unfunded liability at 30 June	177,697	175,881
Represented by		
Fund Account	(35,578)	(41,367)
Police Employer Account	213,275	217,248
Totals	177,697	175,881

The Government adopted a policy on 30 June 1994 of fully funding its superannuation liabilities with a target of achieving full funding by 2034. To achieve its funding target the Government transfers an amount of past service liability contributions each year to the Scheme in addition to the current employer contributions paid by SAPOL.

#### 4. Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme and include benefits which members would be entitled to receive on termination of membership of the Scheme.

When members resign from the Scheme, they have two options. Firstly, they can elect to take cash refunds of their own contributions, accumulated with interest, together with preserved employer benefits as required by Commonwealth Superannuation Guarantee legislation. Alternatively, they can elect to take fully vested, preserved benefits which will be based on their full accrued entitlements at the date of resignation and will be increased during preservation in line with increases in the CPI.

## Police Superannuation Scheme

The vested benefits shown below have been determined by Ms E Conway, FIAA of Mercer Consulting (Australia) Pty Ltd based on the assumption that all resignation benefits will be taken in the form of fully preserved benefits. The value of vested benefits has then been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

### Vested Liabilities

	2023 \$'000 Pension Division	2022 \$'000 Pension Division
Fund Account	630,134	612,477
Police Employer Account	1,995,420	1,939,509
Totals	2,625,554	2,551,986

### 5. Guaranteed Benefits

The following guaranteed superannuation benefits are payable to contributors of the Scheme and are set out in the Act:

- Age retirement lump sum (age 50 to 55).
- Age retirement pension with commutation lump sum option (age 55 and over).
- Age retirement lump sum (age 55 and over).
- Total and permanent incapacity, based on contributors age 60 retirement pension benefit.
- Death benefit pension payable to a surviving eligible spouse (lawful, de facto or same sex) with commutation lump sum option.
- Death benefit pension payable to an eligible child (under age 16 or aged between 17 and 25).
- Death benefit lump sum payable to deceased contributors' estate if not survived by an eligible spouse or child.

**6. Administration Expenses**

Administration expenses incurred by the Board are financed from the Fund Old Scheme Account and the Police Employer Account in the prescribed proportions of 30 and 70 percent respectively, in accordance with section 10(7) of the Act.

Administration expenses incurred by the Scheme for 2022-2023 amounted to \$1,033,000 (\$957,000 in 2021-2022) of which the Fund's proportion was \$310,000 (\$287,000 in 2021-2022) and the Employer's proportion was \$723,000 (\$670,000 in 2021-2022). Of the \$1,033,000, \$928,000 (\$851,000 in 2021-2022) was paid to SA Government entities.

	Total 2023 \$'000	Total 2022 \$'000
Administration expenses	1,033	957

**7. Direct Investment Expenses**

The direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment. The fees paid to Funds SA during 2022-2023 are shown below.

	Total 2023 \$'000	Total 2022 \$'000
Direct investment expenses	16,349	25,428

**8. Remuneration of Board Members**

The following are members of the Board who served during 2022-2023, along with the period served.

<b>Board member</b>	<b>Period Served during 2022-2023</b>		
Graeme Barton (APM)	01/07/2022	to	30/06/2023
Ferdi Pit	01/07/2022	to	30/06/2023
Mark Carroll (APM)*	01/07/2022	to	30/06/2023
Anna Hughes*	01/07/2022	to	15/07/2022
Julie-anne Holmes	08/09/2022	to	30/06/2023
Michael Kent*	01/07/2022	to	30/06/2023
<b>Deputy member</b>	<b>Period Served during 2022-2023</b>		
Alannah Pearce*	01/07/2022	to	30/06/2023
Julie Thomas*	01/07/2022	to	30/06/2023
Neil Smith	01/07/2022	to	30/06/2023
Trevor Milne*	01/07/2022	to	30/06/2023
Daryl Mundy*	01/07/2022	to	30/06/2023

## Police Superannuation Scheme

Board and Deputy members remuneration is set according to State Government guidelines for Statutory Authorities.

\* In accordance with the Department of the Premier and Cabinet Circular No. 16, Board and Deputy members who are government employees do not receive remuneration for their board membership. Board and Deputy members who are contributors of the Scheme contribute on the same terms as other contributors.

Total remuneration received or due and receivable by Board and Deputy members of the Board in 2022-2023 was \$10,000 (\$10,000 in 2021-2022). Total remuneration included superannuation of \$887 (\$660 in 2021-2022).

The number of Board and Deputy members whose remuneration was within the following bands is as follows:

Total Remuneration	Number of Board and Deputy Members	
	2023	2022
\$1 - \$10,000	2	3

### 9. Related Parties

Related parties of the Police Superannuation Scheme include all key management personnel and their close family members, all Cabinet Ministers and their close family members and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

#### Key management personnel

The key management personnel of the Police Superannuation Board include the Minister for Finance and the governing board members who have responsibility for the strategic direction and management of the Police Superannuation Board.

Compensation	2023 \$'000	2022 \$'000
Salaries and other short-term employee benefits	10	10
Other long-term employee benefits	1	1
Total	11	11

There were no transactions requiring disclosure for key management personnel or related parties.

#### Transactions with other government entities

There were no significant transactions with government entities other than those disclosed elsewhere in the financial statements.

**10. Remuneration of Auditors**

Audit amounts paid or due and payable are paid to the Auditor-General’s Department (an SA Government Entity) for the audit of the Scheme. The Auditor-General’s Department uses the services of Ernst and Young for the audit. No other services were provided by the Auditor-General’s Department.

	Total 2023 \$’000	Total 2022 \$’000
Audit fees paid or due and payable	24	24

2022-23 Audit fees are estimated to be \$23,700 excluding GST (\$23,600 for 2021-22).

**11. Financial Instruments**

The Scheme’s investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme’s investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

The Scheme’s investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme’s exposure to each of the above risks, the Scheme’s objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme’s investment risk management framework.

The Scheme’s investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme’s investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme’s activities.

The Police Superannuation Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

### **Use of derivative financial instruments**

Derivatives can be defined as financial contracts whose value depend on, or are derived from other underlying assets, liabilities, reference rates or indices.

Funds SA's key uses of derivatives includes managing portfolio risk and facilitating the implementation of investment strategies efficiently and cost effectively. Funds SA use a variety of derivative instruments, such as over the counter contracts, including currency forward rate agreements, options, swaps and exchange-traded futures. Derivatives are an authorised investment within overlay accounts via an execution agent and in certain mandates managed by Funds SA's external investment managers, for the purposes described above.

The following is a description of the main types of portfolio risk arising from the use of financial instruments and includes information on how Funds SA manages each type of risk.

#### **a) Market Risk**

Market risk is the risk that investment returns generated by the different financial markets will be volatile and will deviate from long-term expectations over the short / medium term.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- ensuring a diversity of exposures to different financial markets and sub-markets; and
- ensuring asset allocations for different investment options are consistent with the time horizon of each.

#### **I. Currency Risk**

Funds SA's foreign currency exposure arises from its investment in assets denominated in foreign currencies.

Funds SA's strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the Private Markets Tax-Exempt, Private Markets Taxable, Core Infrastructure Tax-Exempt, Core Infrastructure Taxable, Credit, Investment Grade Credit, Long Term Fixed Interest and Inflation Linked Securities Taxable asset classes are economically hedged to Australian dollars.
- Foreign currency exposures over the developed markets component of the International Equities Tax-Exempt, International Equities Taxable, International Equities Passive Tax-Exempt and International Equities Passive Taxable asset classes are economically hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

### II. Interest Rate Risk

Interest rate risk is the risk that a movement in interest rates will cause the value of interest rate sensitive securities to underperform expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations for different investment options are consistent with the time horizon of each; and
- the use of specialist external investment managers to manage Funds SA's cash and fixed interest portfolios.

### III. Counterparty Risk

Counterparty risk, or credit risk is the risk that financial counterparties are unable to perform their contractual obligations.

Funds SA manages and mitigates this risk through the following measures:

- ensuring investment managers have adequate processes for and competence in monitoring and evaluating counterparty risk;
- the inclusion of criteria within Investment Management Agreements to ensure appropriate diversification with respect to counterparty risk;
- requiring the posting of collateral or progressive margin settlements to cover the extent to which over-the-counter derivative contracts are in a favourable financial position;
- restricting the use of futures contracts to recognised exchanges only;
- ensuring Funds SA's custodian is diligent in collecting distributions and dividends, and
- restricting the use of non-exchange traded derivatives to defined uses and mandates and ensuring managers have adequate capabilities and processes to monitor inherent counterparty risk.

### IV. Other Market Price Risk

Other market price risk is the risk that the value of the instrument 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.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Income Statement, all changes in market conditions will directly affect investment revenue.

The Scheme's other market price risk is managed by Funds SA as investments include financial instruments exposed to market prices.

Funds SA manages the risk of financial market volatility through the adherence to two principles:

## Police Superannuation Scheme

- Ensuring a diversity of exposures to different financial markets and sub markets.
- Ensuring asset allocations for different investment products are consistent with the time horizon of each.

### V. Investments sensitivity analysis

The Funds SA Board has determined that its forecast risk/return profile provides a reasonable measure of the sensitivity of the expected returns in each investment asset class. The following tables show the market risk around expected average returns for each asset class.

#### 2023

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement +/- \$000
	%	%	
Cash	3.6	0.5	302
Property Tax Exempt	5.8	8.0	16 718
Australian Equities Tax Exempt	6.5	16.0	35 390
International Equities	6.9	15.1	46 978
Diversified Strategies Growth			
Core Infrastructure	7.9	13.5	22 946
Private Markets	9.7	19.0	91 189
Diversified Strategies Income			
Defensive Alternatives	5.6	4.0	2 978
Credit	7.7	10.0	20 804
Growth Alternatives	5.6	8.0	16 444

#### 2022

Investment asset class	Average Return	Market Risk	Potential impact of market risk (+/-) on Income Statement +/- \$000
	%	%	
Cash	2.4	0.5	252
Property Tax Exempt	7.2	8.0	32 461
Australian Equities Tax Exempt	6.2	16.0	75 551
International Equities	7.1	14.0	96 051
Diversified Strategies Growth			
Core Infrastructure	6.8	8.0	23 449
Private Markets	7.8	10.0	10 359
Diversified Strategies Income			
Defensive Alternatives	4.4	4.0	31 534
Credit	5.5	9.6	17 960
Growth Alternatives	5.6	8.0	16 813

The statistics shown above are averages calculated over 10 years, net of investment management fees and gross of tax. These investment statistics have zero percent tax rate applied and exclude franking credits.

## Police Superannuation Scheme

Market risk is a useful historical measure of the variability of returns earned by an investment portfolio.

The dollar value of the potential impact on the Income Statement arising from the market risk is indicative only. The impacts are not additive across investment asset classes, as each asset class operates in different markets and is subject to different conditions.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

### 2023

Investment Option	Sensitivity variable	Standard Deviation	Expected Nominal Return	Change in Investment assets \$'000
Defined Benefit	Nominal standard deviation	9.9%	8.0%	235,023
<b>Total</b>				<b>235,023</b>

### 2022

Investment Option	Sensitivity variable	Standard Deviation	Expected Nominal Return	Change in Investment assets \$'000
Defined Benefit	Nominal standard deviation	9.6%	7.1%	218,631
<b>Total</b>				<b>218,631</b>

### b) Credit Risk/Counterparty Risk

Counterparty risk, or credit risk is the risk that financial counterparties are unable to perform their contractual obligations.

Funds SA manages and mitigates this risk through the following measures:

- ensuring investment managers have adequate processes for and competence in monitoring and evaluating counterparty risk;
- the inclusion of criteria within Investment Management Agreements to ensure appropriate diversification with respect to counterparty risk;
- requiring the posting of collateral or progressive margin settlements to cover the extent to which over-the-counter derivative contracts are in a favourable financial position;
- restricting the use of futures contracts to recognised exchanges only;

- ensuring Funds SA's custodian is diligent in collecting distributions and dividends, and
- restricting the use of non-exchange traded derivatives to defined uses and mandates and ensuring managers have adequate capabilities and processes to monitor inherent counterparty risk.

The net market value of financial assets, included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The Schemes credit risk lies with Funds SA who monitors the risk through ongoing reviews of the investment managers as listed above.

### c) Liquidity Risk

Liquidity risk is the risk of being unable to meet obligations as they fall due or incurring significant transaction costs in meeting such obligations. Liquidity risk also includes the potential opportunity cost associated with not being able to maintain asset allocation at strategic weights.

Three types of liquidity risk are inherent in Funds SA's investment activities. The first is the risk that client redemption requests are unable to be satisfied due to the inability to liquidate investments. The second is the risk that significant transaction costs will be incurred in liquidating investments to meet clients' cash redemption requirements. The third is that investment returns may be below expectations due to the portfolio's asset positioning being negatively impacted.

Funds SA manages liquidity risk as follows:

- by giving careful consideration to the expected net cashflow position of Funds SA's clients. The allocation to cash and highly liquid assets in the strategic asset allocation of each investment option is set at a level sufficient to manage expected cash redemptions;
- a large proportion of each investment option is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities;
- reporting and monitoring the liquidity of the fund on a daily basis to ensure prospective client cash outflows and switches can be met;
- by undertaking portfolio management and rebalancing activities, and
- by undertaking regular stress testing on liquidity positions to identify sources of liquidity strain before they are realised.

For the Scheme itself, the liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

## Police Superannuation Scheme

The following tables summarise the contractual maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

<b>30 June 2023</b>	<b>Less than 3 months \$'000</b>	<b>Total Contractual Cash Flows \$'000</b>	<b>Carrying Amount Liabilities \$'000</b>
Benefits payable	196	196	196
Payables	214	214	214
Vested benefits <sup>(i)</sup>	2,625,554	2,625,554	2,625,554
<b>Total</b>	<b>2,625,964</b>	<b>2,625,964</b>	<b>2,625,964</b>
<b>30 June 2022</b>	<b>Less than 3 months \$'000</b>	<b>Total Contractual Cash Flows \$'000</b>	<b>Carrying Amount Liabilities \$'000</b>
Benefits payable	518	518	518
Payables	209	209	209
Vested benefits <sup>(i)</sup>	2,551,986	2,551,986	2,551,986
<b>Total</b>	<b>2,552,713</b>	<b>2,552,713</b>	<b>2,552,713</b>

<sup>(i)</sup> Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members' vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

**d) Fair Value Estimation**

The table below analyses financial instruments carried at fair value, by fair value hierarchy. The different levels have been defined as follows:

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

<b>Financial assets at fair value through profit or loss</b> <i>(Level 1 and level 3 are not relevant to the Scheme)</i>	<b>Level 2</b> <b>\$'000</b>
<b>30 June 2023</b>	
Unlisted managed investment schemes	
Funds SA	<u>2,373,974</u>
<b>30 June 2022</b>	
Unlisted managed investment schemes	
Funds SA	<u>2,277,411</u>

**e) Derivative financial instruments**

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements and exchange-traded futures.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

**12. Reconciliation of cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2023	2022
	\$'000	\$'000
Cash and cash equivalents	1,514	1,538
<b>Reconciliation of net cash from operating activities</b>		
Net operating result	(1,816)	(231,019)
Adjustments for:		
Change in investments measured at fair value	(198,365)	15,877
Investment Expenses	16,349	25,428
Increase in payables	(2)	73
Allocation to members' accounts	182,851	188,756
<b>Net cashflows from operating activities</b>	<b>(983)</b>	<b>(885)</b>

**13. Subsequent Events**

No significant events after the balance sheet date.