

## CSS financial statements

### Commonwealth Superannuation Scheme (ABN 19 415 776 361)

#### Statement by the Trustee of the Commonwealth Superannuation Scheme ('Scheme')

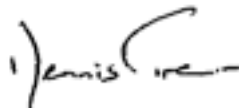
The Trustee hereby states that in its opinion:

- (a) the attached financial statements of the Scheme show a true and fair view of the matters required by Australian Accounting Standards, including AAS 25 *'Financial Reporting by Superannuation Plans'*, and Schedule 1 of the *Commonwealth Authorities and Companies Orders (Financial statements for reporting periods ending on or after 1 July 2008)* to the extent that the latter is not inconsistent with AAS 25;
- (b) the attached financial statements of the Scheme show a true and fair view of the net assets of the Scheme as at 30 June 2009 and the changes in net assets of the Scheme for the year ended 30 June 2009;
- (c) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;
- (d) the financial statements are in a form agreed by the Minister for Finance and Deregulation and Australian Reward Investment Alliance in accordance with subsection 161(1A) of the *Superannuation Act 1976* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- (e) the financial statements have been prepared based on properly maintained financial records; and
- (f) the operations of the CSS Fund were conducted in accordance with the *Superannuation Act 1976* and the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations, and the relevant requirements of the *Corporations Act 2001* and Regulations (to the extent applicable).

Signed at Sydney this 15th day of September 2009 in accordance with a resolution of trustees of Australian Reward Investment Alliance (ABN 48 882 817 243) as Trustee of the Scheme.



Winsome Hall  
Chairman



Dennis Trewin  
Trustee

## CSS financial statements

### Statement of Changes in Net Assets For the Year Ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
<b>Net assets available to pay benefits at the beginning of the financial year</b>		<b>6 073 474</b>	6 797 174
<b>Net investment revenue</b>			
Interest		2 298	3 237
Changes in net market value of investments	5c	<b>(811 392)</b>	(109 647)
		<b>(809 094)</b>	(106 410)
<b>Contribution revenue</b>			
Member contributions	6a	<b>108 565</b>	118 621
Employer contributions	6a	<b>38 934</b>	41 252
Co-Contributions	6a	<b>1 858</b>	2 236
Appropriation from Consolidated Revenue Fund	6b	<b>3 070 432</b>	2 876 301
		<b>3 219 790</b>	3 038 410
<b>Total revenue</b>		<b>2 410 696</b>	2 932 000
Benefits paid	6b	<b>(3 736 589)</b>	(3 649 541)
Transfers to the Public Sector Superannuation Scheme	8	-	-
<b>Total expenses</b>		<b>(3 736 589)</b>	(3 649 541)
<b>Change in net assets before income tax</b>		<b>(1 325 893)</b>	(717 541)
<b>Income tax expense</b>	7a	<b>(6 187)</b>	(6 159)
<b>Change in net assets after income tax</b>		<b>(1 332 081)</b>	(723 700)
<b>Net assets available to pay benefits at the end of the financial year</b>		<b>4 741 393</b>	6 073 474

*The attached notes form part of these financial statements.*

## CSS financial statements

**Statement of Net Assets****As at 30 June 2009**

	Note	2009 \$'000	2008 \$'000
<b>Investments</b>			
Pooled Superannuation Trust	4	4 715 568	6 051 960
<b>Total investments</b>		<u>4 715 568</u>	<u>6 051 960</u>
<b>Other assets</b>			
Cash and cash equivalents		37 644	46 912
Interest receivable		99	295
Amount to be appropriated from Consolidated Revenue Fund		3	566
<b>Total other assets</b>		<u>37 746</u>	<u>47 773</u>
<b>Total assets</b>		<b>4 753 314</b>	<b>6 099 733</b>
<b>Liabilities</b>			
Benefits payable		4 920	18 921
Sundry payables	9	358	493
Amounts due to other superannuation schemes		412	412
Current tax liabilities	7b	6 216	6 389
Deferred tax liabilities	7c	15	44
<b>Total liabilities</b>		<u>11 921</u>	<u>26 259</u>
<b>Net assets available to pay benefits</b>		<u><b>4 741 393</b></u>	<u><b>6 073 474</b></u>

*The attached notes form part of these financial statements.*

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 1. DESCRIPTION OF THE SCHEME

The Scheme is a defined benefit scheme which provides benefits to its members under the *Superannuation Act 1976* (as subsequently amended). The Trustee at reporting date was ARIA.

Moneys paid to ARIA for the purposes of the Scheme are held in the CSS Fund. The CSS Fund comprises contributions made by members and employers, income arising from investments, and accretions to or profits on realisation of investments held within the CSS Fund. ARIA pays member benefits and taxes relating to the Scheme and the costs of management of the CSS Fund and the investment of its money out of the CSS Fund.

Administration of member records, contributions receipts and benefit payments is conducted on behalf of the Trustee by ComSuper.

The principal place of business of the Scheme is Level 10, 12 Moore Street, Canberra ACT 2601.

#### 2. BASIS OF PREPARATION

##### (a) Statement of Compliance

The financial report of the Commonwealth Superannuation Scheme ('Scheme') is a general purpose financial report which has been prepared in accordance with Schedule 1 of the *Commonwealth Authorities and Companies Orders (Financial statements for reporting periods ending on or after 1 July 2008)*, Australian Accounting Standards and Interpretations and the *Superannuation Industry (Supervision) Act 1993*. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('AIFRS') to the extent that they are not inconsistent with AAS 25 'Financial Reporting by Superannuation Plans'.

Australian Reward Investment Alliance ('ARIA') (ABN 48 882 817 243), Trustee of the Scheme, authorised the financial statements for issue on 15th September 2009.

The form of these financial statements has been agreed by the Minister for Finance and Deregulation and ARIA in accordance with *sub-section 161(1A) of the Superannuation Act 1976*.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 2. BASIS OF PREPARATION (continued)

##### (a) Statement of Compliance (continued)

Australian Accounting Standards require ARIA to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective. At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Scheme were in issue but not yet effective. ARIA anticipates the adoption of these Standards upon their application date to the extent that they are not inconsistent with AAS 25 *'Financial Reporting by Superannuation Plans'*. It is anticipated that the Standards will not have a material financial impact on the financial report of the Scheme.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<b>AASB 101</b> 'Presentation of Financial Statements' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009	30 June 2010
<b>AASB 2008-6 and 2008-5</b> 'Amendments arising from the first annual improvements project' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009	30 June 2010
<b>AASB 2009-2</b> 'Amendments to Australian Accounting Standards - Improving disclosures about Financial Instruments' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009	30 June 2010

##### (b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Scheme.

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

## CSS financial statements

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2009

#### **2. BASIS OF PREPARATION (continued)**

##### **(c) Use of judgements and estimates**

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements, and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is varied and in any future periods affected.

#### **3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES**

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented in these financial statements for the year ended 30 June 2008.

##### **(a) Assets**

Assets are included in the Statement of Net Assets at net market value as at the reporting date and changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur. Net market value of investments includes an amount for selling costs which would be expected to be incurred if the investments were sold.

Financial assets (being investments in a pooled superannuation trust, cash at bank and interest receivable) are recognised on the date it becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date, any gains and losses from changes in net market value are recorded.

As disposal costs are generally immaterial, net market value approximates fair value unless otherwise stated.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

##### (a) Assets (continued)

Net market values have been determined as follows:

- (i) Unlisted trusts (including pooled superannuation trusts) are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust and reflect the net market value of the underlying investments.
- (ii) Receivables are recognised at the amounts receivable. All amounts are unsecured and are subject to normal credit terms.

##### (b) Cash and Cash Equivalents

Cash includes cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

##### (c) Financial Liabilities

Financial liabilities (being benefits payable, sundry payables and amounts due to other superannuation funds) are recognised at net market value as at reporting date with any change in net market values of those financial liabilities since the beginning of the reporting period included in the Statement of Changes in Net Assets for the reporting period. Net market value is equal to the amortised cost of the liability (using the effective interest method) less estimated transaction costs. As disposal costs are generally immaterial, net market value approximates fair value unless otherwise stated.

The Scheme recognises financial liabilities on the date it becomes a party to the contractual provisions of the liability.

##### **Benefits payable**

Benefits payable to a member are recognised where a valid withdrawal notice is received from the employer sponsor, and is approved by the Scheme administrator ('ComSuper').

Benefits payable represent amounts approved for payment by ComSuper, but which had not been paid by reporting date.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

##### (c) Financial Liabilities (continued)

###### Sundry payables

Sundry payables represent liabilities for goods and services provided during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms.

##### (d) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

###### Investment revenue

Interest revenue is recognised using the effective interest method and, if not received at reporting date, is reflected in the Statement of Net Assets as a receivable.

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

###### Contribution Revenue

Employer and member contributions, transfers from other funds and superannuation co-contributions from the Commonwealth Government are recognised on a cash basis as this is the only point at which measurement is reliable.

##### (e) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Statement of Net Assets as an accrual or payable depending upon whether or not the expense has been billed.

##### (f) Foreign Currency Translation

The Scheme does not undertake transactions denominated in foreign currencies.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

##### (g) Derivatives

The Scheme does not enter into derivative financial instruments.

##### (h) Income Tax

Income tax on the increase in net assets for the year comprises current and deferred tax. Income tax is recognised in the Statement of Changes in Net Assets except to the extent that it relates to items recognised directly in members' funds.

##### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or 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 the 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 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 incomes 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 Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

##### (h) Income Tax (continued)

###### Deferred tax (continued)

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

###### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or benefit in the Statement of Changes in Net Assets.

##### (i) Superannuation Contributions (Surcharge) Tax

Amounts paid or payable in respect of the surcharge tax are recognised as an expense of the Scheme.

The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by ARIA and are properly payable by the Scheme.

No estimate has been made for the balance of any tax payable in respect of surchargeable contributions received by the Scheme on transfer of member entitlements from other superannuation funds as ARIA is unable to determine the amount until receipt of applicable assessments in the following period.

The superannuation surcharge was abolished with effect from 1 July 2005 by the passing of the *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005*.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

##### (j) Scheme Liability for Accrued Benefits

The liability for accrued benefits is the value of the Scheme's present obligation to pay benefits to members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future payments which arise from membership of the Scheme up to the date of measurement. The present value is determined by reference to expected future salary levels and by application of a current, market-determined, risk-adjusted discount rate and appropriate actuarial assumptions.

The liability for accrued benefits is not included in the Statement of Net Assets, however it is disclosed at note 15.

The liability for accrued benefits is actuarially-measured on at least a triennial basis. Where the liability for accrued benefits is measured during the reporting period, the benefits which have accrued since the last measurement date are also reported by way of note.

##### (k) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as an asset or liability in the Statement of Net Assets.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 4. INVESTMENTS

	2009 \$'000	2008 \$'000
<b>Equity investments</b>		
Pooled Superannuation Trust - ARIA Investments Trust	4 715 568	6 051 960
	<u>4 715 568</u>	<u>6 051 960</u>

#### 5. CHANGES IN NET MARKET VALUES

	2009 \$'000	2008 \$'000
<b>(a) Investments held at 30 June:</b>		
Pooled Superannuation Trust - ARIA Investments Trust	(719 968)	(106 469)
	<u>(719 968)</u>	<u>(106 469)</u>
<b>(b) Investments realised during the year:</b>		
Money market investments	-	-
Fixed interest investments	-	-
Equity securities and unlisted trusts	(91 424)	(3 178)
Forward currency	-	-
Options	-	-
	<u>(91 424)</u>	<u>(3 178)</u>
<b>(c) Total changes in net market values of investments</b>	<u>(811 392)</u>	<u>(109 647)</u>

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 6. FUNDING ARRANGEMENTS

##### (a) Contributions

###### Member Contributions

Members contribute to the Scheme at optional rates above 5% of salary or they may opt to make nil contributions.

###### Employer Contributions

Employers who do not operate their own productivity schemes contribute employer (productivity) contributions to the Scheme on a sliding scale averaging 3% of salaries paid to members.

###### Transferring superannuation benefits from other funds

Money invested in other superannuation funds can be transferred to the Scheme.

###### Government Co-Contributions

The Commonwealth Government contributes \$1.50 for every \$1 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of \$1 500 per member for each financial year.

##### (b) Benefits

Where a benefit that becomes payable in respect of a member can be fully met from Scheme assets attributable to that member, the benefit is paid to the beneficiary from the Scheme. Where a benefit becomes payable that cannot be fully met from Scheme assets attributable to the member, all moneys held in the CSS Fund in respect of the member are paid into the Consolidated Revenue Fund, and the Commonwealth Government then assumes responsibility for payment of the benefit.

Benefits payable by the Consolidated Revenue Fund as at 30 June 2009 were \$0.003 million (2008: \$0.566 million). The Commonwealth Government is the corresponding debtor for this amount in accordance with the funding arrangements described above.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 6. FUNDING ARRANGEMENTS

##### (b) Benefits (continued)

Benefits paid by the CSS Fund and the Consolidated Revenue Fund during the year are as follows:

	2009 \$'000	2008 \$'000
Gross Appropriation from Consolidated Revenue Fund	3 738 264	3 649 535
less: Transfers from CSS Fund to Consolidated Revenue Fund	<u>(667 832)</u>	<u>(773 234)</u>
<b>Net Appropriation</b>	<b><u>3 070 432</u></b>	<b><u>2 876 301</u></b>
<b>Consolidated Revenue Fund</b>		
Lump-sum Benefits	601 863	718 514
Pensions	<u>3 136 401</u>	<u>2 931 021</u>
	<b>3 738 264</b>	<b>3 649 535</b>
<b>CSS Fund</b>		
Lump-sum Benefits	<u>(1 676)</u>	<u>6</u>
<b>Total benefits paid</b>	<b><u>3 736 588</u></b>	<b><u>3 649 541</u></b>

##### (c) Costs of Administration

Costs of and incidental to the management of the Scheme and the investment of its money are charged against the assets of ARIA Investments Trust ('AIT') that are referable to the Scheme. Transactions in respect of these costs have been brought to account in the financial statements of ARIA Investments Trust.

## CSS financial statements

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2009

**6. FUNDING ARRANGEMENTS (continued)****(c) Costs of Administration (continued)**

Expenses are as follows:

	Expenses met by	
	AIT 2009	AIT 2008
Investment		
Investment Advisors	944	1 152
Investment Managers	8 535	13 961
Custodian	1 480	1 822
Other	81	107
Total direct investment expenses	<u>11 040</u>	<u>17 042</u>
General administration	3 696	4 547
Total costs	<u><u>14 736</u></u>	<u><u>21 589</u></u>

The *Superannuation Act 1976* requires the Commissioner for Superannuation (through ComSuper) to assist ARIA in performing its member administration responsibilities in relation to the Scheme. The expenses of the Commissioner for Superannuation are met from a share of the administrative fees paid to ComSuper by employing agencies. The remaining share of administrative fees is paid to ARIA to fund costs other than those incurred in managing and investing the assets of the CSS Fund. Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of ARIA and the Commissioner for Superannuation ('ComSuper').

Scheme administration costs met by sponsoring employers are as follows:

	2009 \$'000	2008 \$'000
ARIA fees	1 336	1 360
ComSuper fees	13 658	13 755
Total	<u><u>14 994</u></u>	<u><u>15 115</u></u>

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 7. INCOME TAX

	2009	2008
	\$'000	\$'000
<b>(a) Income tax recognised in the Statement of Changes in Net Assets</b>		
<b>Tax expense comprises:</b>		
Current tax expense	6 216	6 685
Adjustments recognised in the current year in relation to the current tax of prior years	-	(533)
Deferred tax expense relating to the origination and reversal of temporary differences	(29)	7
Total tax expense	<u>6 187</u>	<u>6 159</u>
<p>The prima facie income tax expense on the benefits accrued as a result of operations before income tax reconciles to the income tax expense in the Statement of Changes in Net Assets as follows:</p>		
Increase / (decrease) in net assets for the year before income tax	<u>(1 325 893)</u>	<u>(717 541)</u>
Income tax expense / (benefit) calculated at 15%	(198 884)	(107 631)
<b>Add (less) permanent differences - items not assessable or deductible</b>		
Employee contributions	(16 561)	(18 129)
Benefits paid	560 488	547 431
Appropriation from CRF	(460 565)	(431 445)
Investment revenue already taxed	121 709	16 466
Under / (over) provision of income tax in previous year	-	(533)
	<u>6 187</u>	<u>6 159</u>
<b>(b) Current tax liabilities</b>		
<b>Current tax payables:</b>		
Provision for current year income tax	<u>6 216</u>	6 389
	<u>6 216</u>	<u>6 389</u>

## CSS financial statements

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2009

**7. INCOME TAX (continued)****(c) Deferred tax balances**

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
<b>Deferred tax liabilities comprise:</b>		
Temporary differences	<b>15</b>	44
	<b>15</b>	<b>44</b>

Taxable and deductible temporary differences arise from the following:

<b>2009</b>	<b>Opening balance</b>	<b>Charged to income</b>	<b>Acquisition / disposal</b>	<b>Closing balance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Gross deferred tax liabilities:</b>				
Interest receivable	44	(29)	-	15
	<b>44</b>	<b>(29)</b>	<b>-</b>	<b>15</b>
Total	<b>44</b>	<b>(29)</b>	<b>-</b>	<b>15</b>
<b>2008</b>	<b>Opening balance</b>	<b>Charged to income</b>	<b>Acquisition / disposal</b>	<b>Closing balance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Gross deferred tax liabilities:</b>				
Interest receivable	37	7	-	44
	<b>37</b>	<b>7</b>	<b>-</b>	<b>44</b>
Total	<b>37</b>	<b>7</b>	<b>-</b>	<b>44</b>

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 8. TRANSFERS FROM THE COMMONWEALTH SUPERANNUATION SCHEME TO THE PUBLIC SECTOR SUPERANNUATION SCHEME

Certain former contributors to the Commonwealth Superannuation Scheme who rejoin as members of the Commonwealth Scheme are entitled to elect to transfer to the Public Sector Superannuation Scheme. There were no transfers made during the year ended 30 June 2009 (2008: 0 transfers).

#### 9. SUNDRY PAYABLES

	2009	2008
	\$'000	\$'000
Surcharge tax	358	384
Other	-	109
<b>Total</b>	<b>358</b>	<b>493</b>

#### 10. AUDITOR'S REMUNERATION

Value of audit services provided by the Australian National Audit Office:

	2009	2008
	\$	\$
Financial statements and APRA forms	71 200	62 300
Risk management strategy and risk management plan	9 000	6 000
<b>Total</b>	<b>80 200</b>	<b>68 300</b>

In 2008-09, audit services were provided by the Australian National Audit Office free of charge.

Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on its behalf. Fees for those services are included above.

The Scheme audit fee for the year 30 June 2008 was charged against assets of ARIA Investments Trust that are referable to the Scheme.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu to the Scheme during the reporting period.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 11. FINANCIAL INSTRUMENTS

##### (a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Investments of the Scheme (other than cash held for managing contribution receipts, insurance expenses, benefit payments and tax payments) comprise units in ARIA Investments Trust ('AIT') - a pooled superannuation trust of which ARIA is also trustee. ARIA has determined that this type of investment is appropriate for the Scheme and is in accordance with the Scheme's published investment strategy. ARIA applies strategies to manage the risk relating to the investment activities of AIT. The investments of AIT are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets in accordance with a contractual investment mandate.

##### (b) Significant accounting policies

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

##### (c) Capital risk management

The RSE license of the Trustee of the Fund requires the Trustee to maintain a balance of at least \$100 000 at all times in an administration reserve account. This is required to be maintained in cash or cash equivalents. The Trustee of the Scheme was in compliance with this requirement throughout the year.

##### (d) Categories of financial instruments

The financial assets and liabilities of the Scheme are recognised at net market value as at the reporting date. Net market value approximates fair value less costs of realisation of investments. The cost of realisation of investments is minimal and therefore net market value that is carrying value approximates fair value. Changes in net market value are recognised through the Statement of Changes in Net Assets.

## CSS financial statements

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2009

#### **11. FINANCIAL INSTRUMENTS (continued)**

##### **(e) Financial risk management objectives**

The Scheme is exposed to a variety of financial risks as a result of its pooled investment in AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Schemes' risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Schemes' financial performance. These policies may include the use of financial derivative instruments.

ARIA is responsible for ensuring that there is an effective risk management control framework in place for the Scheme. Consistent with regulatory requirements, ARIA has developed, implemented and maintains a Risk Management Strategy and Risk Management Plan to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Scheme and for the Scheme's investments through the ARIA Investments Trust. The overall investment strategy of the Scheme is set out in the ARIA Investment Policy manual and the ARIA Derivatives Securities Policy which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Scheme's investments are managed on behalf of ARIA by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. ARIA has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with its investment strategy.

Derivative Risk Statements set out the strict parameters for the Trustee's investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 11. FINANCIAL INSTRUMENTS (continued)

##### (f) Credit risk

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

In its capacity as trustee of ARIA Investments Trust, ARIA has adopted a policy of spreading the aggregate value of transactions across approved counterparties with approved credit qualities, as a means of mitigating financial loss. The fund's exposure to its counterparties are continuously monitored by the trustee. Credit risk relating to the master custodian JP Morgan, is mitigated through contract indemnity provisions. No individual exposure within ARIA Investments Trust exceeded 5% of net assets of that trust at 30 June 2009 or 30 June 2008.

The credit risk on the Scheme's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
<b>Investments</b>		
Unlisted unit trusts	<b>4 715 568</b>	6 051 960
<b>Other financial assets</b>		
Cash and cash equivalents	<b>37 644</b>	46 912
Interest receivable	<b>99</b>	295
<b>Total</b>	<b><u>4 753 311</u></b>	<u>6 099 167</u>

There has been no change to the Scheme's exposure to credit risk or the manner in which it manages and measures that risk since the 2008 reporting period.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 11. FINANCIAL INSTRUMENTS (continued)

##### (g) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its financial liabilities and/or member benefit payments or tax liabilities.

The Scheme's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. The Scheme allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. ARIA undertakes forecasting and scenario testing of the cashflow requirements of the Scheme to ensure timely access to sufficient cash and actively-traded, highly-liquid investments to meet anticipated funding requirements. As a further risk mitigation strategy, it is the Trustees policy that the underlying investments of the Scheme cannot have more than 25% of assets invested in non liquid asset classes at any time and regular scenario testing is performed to confirm the validity of the strategy.

All financial liabilities (being benefits payable, sundry payables and amounts due to other superannuation funds) are expected to be settled within 3 months of the reporting date (2008: within 3 months). Current tax liabilities are expected to be settled within 1 year of the reporting date (2008: within 1 year) and the deferred tax liability within 2 years (2008: within 2 years). At 30 June 2009 the Scheme's total exposure to liquidity risk was \$11.921 million (2008: \$26.259 million) relating to scheme liabilities and \$64.838 billion representing the liability for vested benefits (2008: \$67.421 billion). Refer to note 14 for information on liabilities for vested benefits.

There has been no change to the Scheme's exposure to liquidity risk or the manner in which it manages and measures that risk since the 2008 reporting period.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 11. FINANCIAL INSTRUMENTS (continued)

##### (h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in ARIA's investment policies, the Risk Management Strategy and the Risk Management Plan.

There has been no change to the Scheme's exposure to market risk or the manner in which it manages and measures that risk since the 2008 reporting period.

##### Foreign currency risk

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

The Scheme does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. The pooled investments of the Scheme, in ARIA Investments Trust, are subject to the Trustee's currency hedging policy whereby the currency risk relating to the investments denominated in foreign currencies is neutralised and accordingly no gain or loss on currency fluctuation is incurred. A small part of the investments of AIT, relating to emerging markets, may remain unhedged due to lack of suitable currency instruments for hedging. The Trustee's currency hedging policy was unchanged throughout the reporting period until June 2009, when the Trustee determined that some strategic currency exposures could be adopted in future.

##### Interest rate risk

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

The Scheme is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments. All holdings at 30 June 2009 and 30 June 2008 had a maturity profile of less than one month.

The Scheme is indirectly exposed to interest rate risk through its investments in AIT. As Trustee of AIT, ARIA manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 11. FINANCIAL INSTRUMENTS (continued)

##### (h) Market risk (continued)

##### Interest rate risk (continued)

The following table illustrates the Scheme's sensitivity to a 0.75% p.a. (2008: 0.5%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of a reasonably possible change in interest rates. Had interest rates been lower or higher by 0.75% at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as demonstrated:

	Change in interest rate	Carrying amount \$'000	Interest rate risk \$' 000			
			Profit	Equity	Profit	Equity
<b>2009</b>						
Cash and cash equivalents	-/+0.75%	37 644	(282)	(282)	282	282
<b>2008</b>						
Cash and cash equivalents	-/+0.5%	46 912	(235)	(235)	235	235

##### Other market price risk

Other market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all similar financial instruments traded in the market.

The Scheme's investment in ARIA Investments Trust is exposed to market price risk in respect of the latter's holdings of equity securities, unit trusts and pooled superannuation trusts. As the investment in ARIA Investments Trust is carried at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect the Scheme's net investment income.

In its capacity as trustee of ARIA Investments Trust, ARIA manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

## CSS financial statements

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2009

**11. FINANCIAL INSTRUMENTS (continued)****(h) Market risk (continued)****Other market price risk (continued)**

The following table illustrates the Scheme's sensitivity to a reasonably possible change in the unit value of ARIA Investments Trust, based on risk exposures at reporting date. The volatility factor of 10% (2008: 7%) represents the average annual volatility in the default option unit price of the Schemes investment in the ARIA Investments Trust. For the Cash Option a factor of 0.75% (2008: 0.5%) has been applied representing a reasonably possible change in interest rates. Had the unit price been higher or lower throughout the reporting period by the volatility factor, and based on period end balances with all other variables held constant, the financial result would have improved/(deteriorated) as follows:

2009	Change in price	Carrying amount \$'000	Other price risk \$' 000			
			Profit	Equity	Profit	Equity
<b>Financial Assets</b>						
ARIA Investment Trust :						
Default Option	-/+10%	4 179 572	(417 957)	(417 957)	417 957	417 957
Cash option	-/+0.75%	535 996	(4 020)	(4 020)	4 020	4 020
Total		4 715 568	(421 977)	(421 977)	421 977	421 977

2008	Change in price	Carrying amount \$'000	Other price risk \$' 000			
			Profit	Equity	Profit	Equity
<b>Financial Assets</b>						
ARIA Investment Trust :						
Default Option	-/+7%	5 731 809	(401 227)	(401 227)	401 227	401 227
Cash option	-/+0.5%	320 150	(1 601)	(1 601)	1 601	1 601
Total		6 051 960	(402 827)	(402 827)	402 827	402 827

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 12. SUPERANNUATION CONTRIBUTIONS (SURCHARGE) TAX

The Superannuation Contributions (Surcharge) Tax applies to the surchargeable superannuation contributions of Scheme members whose adjusted taxable income exceeds the surcharge threshold. Surcharge liabilities are calculated by the Australian Taxation Office and recorded against Scheme member accounts. The surcharge liability may be paid by the member in full or in part during the period of scheme membership. Any surcharge liability remaining at the end of the financial year incurs interest. Scheme rules provide for any outstanding surcharge liability to be recovered from a benefit payable to the member.

Transactions recorded during the reporting period were as follows:

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
Total surcharge liability outstanding at start of year	<b>78 206</b>	75 556
Adjustment to opening balances	-	-
Assessments received during the year	<b>6 627</b>	6 163
Interest on outstanding surcharge liabilities at end of year	<b>4 298</b>	4 376
	<b>89 131</b>	86 095
Less: Amounts paid by members and Consolidated Revenue Fund	<b>(7 794)</b>	(7 889)
Total surcharge liability outstanding at end of year	<b>81 337</b>	78 206

Adjustments to opening balances represent amended assessments received from the Australian Taxation Office in respect of surcharge liabilities of prior years.

The surcharge is no longer levied on contributions made after 1 July 2005. However, assessments relating to periods prior to this date continue to be received.

No liability is recognised in the financial statements for the estimated value of the surcharge liability because the liability will be either met by the relevant members during their period of membership or will be recovered from benefits paid on exit from the Scheme.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 13. UNALLOCATED INCOME

In preparation for administrative changes for the Scheme, the Trustees did not declare crediting rates from 1 July 2003. Between 1 July 2003 and 30 June 2007 members were allocated their proportion of the earnings of the Scheme on exit from the Scheme. The income accumulated in the period from 1 July 2003 to 30 June 2007 was allocated to member accounts during 2007-08. From 1 July 2007, monthly earnings are allocated to members each month-end or for a part of a month where a member exits the Scheme during a month.

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
Opening balance of unallocated income	<b>23 734</b>	2 613 638
Add: Earnings of fund for the year	<b>(808 749)</b>	(106 363)
Less: Earnings allocated	<b>777 937</b>	(2 476 184)
Less: Adjustments for estimates	<b>(12)</b>	(7 357)
Less: Earnings paid out in benefit payments	-	-
Closing balance of unallocated income	<b><u>(7 090)</u></b>	<u>23 734</u>

The closing balance represents approximately 0.2% (2008: 0.4%) of the members' funded entitlements as at 30 June 2009.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 14. VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any other factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

Mercer Human Resources Consulting has advised that the amount of vested benefits at 30 June 2009 is \$64.838 billion (2008: \$67.421 billion), based on data supplied by ComSuper. The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2009 and elected the option which maximised their benefit entitlement.

The vested benefits have been calculated on the basis of current legislative arrangements for indexation of pension payments.

The vested benefits amount is made up of:

	<b>2009</b>	2008
	<b>\$billion</b>	\$billion
Funded component	<b>4.7</b>	6.1
Unfunded component	<b>60.1</b>	61.3
	<b>64.8</b>	67.4

The net assets of the Scheme compared to the vested benefits are:

	<b>2009</b>	2008
	<b>\$billion</b>	\$billion
Funded accrued benefits	<b>4.7</b>	6.1
Net assets plus funded benefits payable	<b>4.7</b>	6.1
Surplus (deficiency)	<b>-</b>	-

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 15. LIABILITY FOR ACCRUED BENEFITS

The amount of accrued benefits is the present value of expected future benefit payments that arise from membership of the Scheme up to the measurement date. The accrued benefits are comprised of a funded component (i.e. accumulated member contributions, and, where applicable, productivity contributions, plus interest) which will be met from the Scheme, and an unfunded component to be financed from the Consolidated Revenue Fund at the time the superannuation benefits become payable.

The amount of accrued benefits in respect of the Scheme is calculated on a triannual basis. The most recent valuation of the accrued benefits was undertaken by Mercer Human Resources Consulting as part of a comprehensive review as at 30 June 2008. A summary of the report is attached.

Accrued benefits as at 30 June were:

	<b>2008</b>	2005
	<b>\$billion</b>	\$billion
Funded component	<b>6.1</b>	6.0
Unfunded component	<b>59.2</b>	50.7
	<b>65.3</b>	56.7

The net assets compared to the liability for accrued benefits as at 30 June are:

	<b>2008</b>	2005
	<b>\$billion</b>	\$billion
Funded accrued benefits	<b>6.1</b>	6.0
Net assets plus funded benefits payable	<b>6.1</b>	6.0
Surplus (deficiency)	<b>-</b>	-

## CSS financial statements

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2009

#### **16. SEGMENT REPORTING**

The Scheme operates in the superannuation administration industry in Australia. 100% of Scheme investments (excluding cash) were invested in an Australian-domiciled entity at 30 June 2009 (2008: 100%).

The members of the Scheme are domiciled in Australia.

#### **17. RELATED PARTIES**

##### **(a) Trustee**

ARIA acted as Trustee throughout the year ended 30 June 2009.

No fees were charged by ARIA for acting as Trustee of the Scheme during the reporting period.

##### **(b) Trustees of ARIA**

The trustees of ARIA during the year ended 30 June 2009 were:

David Connolly (term expired 18 September 2008)  
Steven Crane  
Brian Daley (appointed 19 March 2009)  
Susan Doyle (Chairman - term expired 27 July 2009)  
Peter Feltham (term expired 30 June 2009, reappointed 17 July 2009)  
Margaret Gillespie  
Winsome Hall  
David Irons  
Dennis Trewin

David Irons acts as a trustee only when an ACTU-nominated trustee is for any reason unable to perform the duties of that office or when there is a casual vacancy in the office of an ACTU-nominated trustee. Mr Irons did not act as a trustee in 2008-09.

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 17. RELATED PARTIES (continued)

##### (c) Key Management Personnel Compensation

The trustees of ARIA throughout the year ended 30 June 2009 are listed under note 17(b) above.

The following executives of ARIA also had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2009:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Operations Officer
Lochiel Crafter	Chief Executive Officer
Leonie McCracken	Head of Investment Operations
Alison Tarditi	Chief Investment Officer
Kevin Thompson	Head of Finance
Paul Watson (resigned 20 October 2008)	Deputy Chief Executive Officer

The aggregate compensation of the key management personnel is set out below:

	2009	2008
	\$	\$
Short-term employee benefits	296 231	383 267
Post-employment benefits	47 645	50 605
Other long-term benefits	16 634	9 267
Termination benefits	-	81 717
Share-based payment	-	-
	<b>360 511</b>	<b>524 855</b>

Aggregate compensation in relation to the Scheme is a pro-rata apportionment of the overall compensation paid by ARIA, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including trustees) related to investment management was charged as part of general administration expenses against assets of the ARIA Investments Trust that are referable to the Scheme. No charge was made directly against the Scheme.

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

## CSS financial statements

### **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

For the year ended 30 June 2009

#### **17. RELATED PARTIES (continued)**

##### **(d) Investing entities**

Throughout the year ended 30 June 2009, the Scheme's only investment consisted of units in ARIA Investments Trust, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in ARIA Investments Trust throughout the year were Public Sector Superannuation Scheme and Public Sector Superannuation Accumulation Plan. ARIA acted as Trustee of these three entities during the year ended 30 June 2009. All investing transactions are conducted under normal industry terms and conditions.

ARIA pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the ARIA Investments Trust that are referable to the Scheme (see note 6(c)). No fees were charged by ARIA for acting as Trustee during the year ended 30 June 2009 (2008: \$nil).

#### **18. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

##### **(a) Expenditure Commitments**

The Scheme had no capital or other expenditure commitments at 30 June 2009 (2008: \$nil).

##### **(b) Benefit Entitlements**

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Scheme which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Scheme.

The Scheme had no contingent liabilities in respect of member benefit claims at 30 June 2009 (2008: \$nil).

## CSS financial statements

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

#### 18. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

##### (c) Contingent Assets

The Scheme had no contingent assets at 30 June 2009 (2008: \$nil).

#### 19. SUBSEQUENT EVENTS

No other matters have occurred since 30 June 2009 that have materially affected, or may materially affect, the operations of the Scheme, the results of those operations, or the financial position of the Scheme in future financial years.