

PSS financial statements

Public Sector Superannuation Scheme (ABN 74 172 177 893)

Statement by the Trustee of the Public Sector Superannuation Scheme ('Scheme')

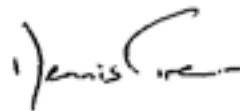
The Trustee hereby states that in its opinion:

- (a) the attached financial statements of the Scheme and of the Group (comprising the Scheme and its controlled entities) 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 and of the Group show a true and fair view of the net assets of the Scheme and of the Group as at 30 June 2009 and the changes in net assets of the Scheme and of the Group 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 Scheme financial statements are in a form agreed by the Minister for Finance and Deregulation and Australian Reward Investment Alliance in accordance with sub-section 28(1)(b) of the *Superannuation Act 1990* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;
- (e) the financial statements of the Scheme and of the Group have been prepared based on properly maintained financial records; and
- (f) the operations of the PSS Fund were conducted in accordance with the *Superannuation Act 1990*, the Trust Deed establishing the Scheme, 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

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

	Note	Group 2009 \$'000	Group 2008 \$'000	Scheme 2009 \$'000	Scheme 2008 \$'000
Net assets available to pay benefits at the start of the financial year		11 346 199	11 236 578	11 346 199	11 236 578
Net investment revenue					
Interest		122 368	119 223	2 189	5 239
Dividends and distributions		354 600	577 211	-	-
Other investment income		12 634	8 705	-	-
Property rental income		154 107	154 484	-	-
Changes in net market values	5c	(3 553 954)	(1 165 590)	(1 718 571)	(249 863)
Less: Direct investment expenses	6c	(97 448)	(116 042)	-	-
		(3 007 693)	(422 009)	(1 716 382)	(244 624)
Contribution revenue					
Member contributions	6a	543 489	524 662	543 489	524 662
Employer contributions	6a	216 850	221 333	216 850	221 333
Government co-contributions	6a	23 648	29 508	23 648	29 508
Appropriation from Consolidated Revenue Fund	6b	236 696	251 886	236 696	251 886
Transfers from the Commonwealth Super Scheme	8	-	-	-	-
		1 020 683	1 027 389	1 020 683	1 027 389
Total revenue		(1 987 010)	605 380	(695 699)	782 765
General administration expenses	6c	(13 325)	(13 862)	-	-
Benefits paid	6b	(625 296)	(642 521)	(625 296)	(642 521)
Total expenses		(638 621)	(656 383)	(625 296)	(642 521)
Change in net assets before income tax		(2 625 631)	(51 003)	(1 320 995)	140 244
Income tax credit/(expense)	7a	295 464	10 355	(33 125)	(30 623)
Change in net assets after income tax		(2 330 167)	(40 648)	(1 354 120)	109 621
Distribution to minority interest holders		(7 379)	-	-	-
Change in net assets attributable to minority interest		983 426	150 268	-	-
Net assets available to pay benefits at the end of the financial year		9 992 079	11 346 199	9 992 079	11 346 199

The attached notes form part of these financial statements.

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Statement of Net Assets
As at 30 June 2009

	Note	Group 2009 \$'000	Group 2008 \$'000	Scheme 2009 \$'000	Scheme 2008 \$'000
Investments					
Cash and cash equivalents	4	588 765	326 775	-	-
Money market securities	4	1 886 556	2 153 259	-	-
Fixed interest securities	4	1 592 041	1 633 116	-	-
Equity investments	4	8 695 550	10 863 570	9 971 816	11 350 387
Property investments	4	3 143 131	3 444 606	-	-
Derivative contracts	4	228 128	184 585	-	-
Total investments		16 134 171	18 605 911	9 971 816	11 350 387
Other assets					
Cash and cash equivalents		66 651	54 321	66 651	54 321
Trade settlements receivable		63 821	77 010	-	-
Other receivables	9	65 344	173 915	509	599
Amount to be appropriated from /to Consolidated Revenue Fund		(10)	18 417	(10)	18 417
Deferred income		18 460	14 789	-	-
Current tax assets	7b	135 275	-	-	-
Deferred tax assets	7c	72 313	6 135	-	-
Total other assets		421 854	344 587	67 150	73 337
Total assets		16 556 025	18 950 498	10 038 966	11 423 724
Liabilities					
Benefits payable		12 636	42 663	12 636	42 663
Trade settlements payable		208 888	201 638	-	-
Other payables	10	35 034	36 021	1 259	1 213
Borrowings	11	144 000	196 500	-	-
Current tax liabilities	7b	-	87 033	32 977	33 621
Deferred tax liabilities	7c	15	113 926	15	28
Total liabilities		400 573	677 781	46 887	77 525
Net assets		16 155 452	18 272 717	9 992 079	11 346 199
Net assets attributable to minority interest		(6 163 373)	(6 926 518)	-	-
Net assets available to pay benefits		9 992 079	11 346 199	9 992 079	11 346 199

The attached notes form part of these financial statements.

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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 benefits scheme which provides benefits to its members under the *Superannuation Act 1990* (as amended) and is administered in accordance with a Trust Deed dated 21 June 1990 (as amended). The Trustee at balance date was the Australian Reward Investment Alliance ('ARIA').

Moneys paid to ARIA for the purposes of the Scheme are held in the PSS Fund. The PSS Fund comprises contributions made by members and employers, income arising from investments, and accretions to or profits on realisation of investments held within the PSS Fund. ARIA pays member benefits and taxes relating to the Scheme and the PSS Fund out of the PSS Fund. ARIA pays costs of and incidental to the management of the PSS Fund and the investment of its money from the assets of the ARIA Investments Trust that are referable to the PSS Fund. See notes 19 and 20 for further details regarding ARIA Investments Trust.

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 Public Sector Superannuation Scheme ('Scheme') and of the Group (comprising the Scheme and its controlled entities) 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)*, Accounting Standards, Australian Interpretations, the *Superannuation Industry (Supervision) Act 1993* and provisions of the Trust Deed. 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*'.

The financial statements were authorised for issue by Australian Reward Investment Alliance ('ARIA') (ABN 48 882 817 243) on 15 September 2009.

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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)

The form of these financial statements has been agreed by the Minister for Finance and Deregulation and ARIA in accordance with sub-section 28(1)(b) of the *Superannuation Act 1990*.

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 anticipate 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 have no 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
AASB 3 'Business Combinations' and AASB 127 'Consolidated and separate financial statements' and consequential amendments to other accounting standards resulting from its issue.	1 July 2009	30 June 2010
AASB 101 'Presentation of Financial Statements' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009	30 June 2010
AASB 123 'Borrowing Costs' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009	30 June 2010
AASB 2008-6 and 2008-5 '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
AASB 2008-7 'Amendments to accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009	30 June 2010
AASB 2009-2 '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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

2. BASIS OF PREPARATION (continued)

(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.

(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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

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) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Scheme (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127 '*Consolidated and Separate Financial Statements*'. A list of controlled entities appears in Note 20 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The assets, liabilities and contingent liabilities of a controlled entity are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to the Statement of Changes in Net Assets in the period of acquisition.

The interest of minority unitholders is stated at the minority's proportion of the fair value of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Scheme obtains control and until such time as the Scheme ceases to control such entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. It is presumed to exist where the parent owns directly, or indirectly through interposed subsidiaries, more than half of the voting power of an entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Assets

Investments are included in the Statement of Net Assets at net market value as at 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.

The Scheme recognises financial assets 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.

Net market values have been determined as follows:

- (i) Money market securities are valued at the market closing price on the last business day of the reporting period and include accrued interest.
- (ii) Fixed interest securities are valued at their market value at the close of business on the last business day of the reporting period. Interest is accrued over the period and is recorded as part of other receivables in the Statement of Net Assets.
- (iii) Forward currency and futures contracts are revalued to closing prices quoted on the last business day of the reporting period.
- (iv) Equity investments and listed trusts are valued at the last sale price at close of business on the last business day of the reporting period.
- (v) Exchange traded options are valued as the premium payable or receivable to close out the contracts at the last buy price at close of business on the last business day of the reporting period.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Assets (continued)

- (vi) Private equity funds are valued according to the most recent valuation obtainable from an independent (third party) valuer or the fund manager, applying valuation and disclosure guidelines consistent with the International Equity & Venture Capital Valuation Guidelines, or for US domiciled funds, Financial Accounting and Standards Board Guidelines under FAS157 '*Fair Value Measurements*'.
- (vii) Unlisted trusts (including pooled superannuation trusts and hedge funds) are valued at their most recent redemption price as determined by the manager of the relevant trust. Unlisted trusts controlled by the Trustee are valued at least annually in accordance with valuation guidelines agreed by the Trustee. Valuations may be completed by an independent valuer, the investment manager or the Trustee. In determining the valuation, reference is made to guidelines set by relevant associations (such as Australian Venture Capital Association Ltd).
- (viii) Investment properties which comprise land and buildings for the purpose of letting to produce rental income, are initially measured at cost. Cost includes capital expenditure subsequent to acquisition. Investment properties are not depreciated. Subsequent revaluations to fair value are taken through the Statement of Changes in Net Assets as changes in net market value of investments.
- (ix) Receivables are recognised at the amounts receivable. All amounts are unsecured and are subject to normal credit terms.

(c) Cash and cash equivalents

Cash under the heading of Investments includes deposits held at call with a bank or financial institution and highly-liquid investments with short periods to maturity which are readily convertible to cash and are subject to insignificant risk of changes in value. Cash held under the heading of Other Assets includes cash at bank used to transact member and employer contributions, transfers from other funds and benefit payments.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Financial Liabilities

The Scheme recognises financial liabilities (being benefits payable, trade settlements payable, other payables and borrowings) 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.

(i) Benefits payable

The Scheme recognises a benefit to be payable to a member 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.

(ii) Trade settlements payable

Trade settlements payable represent liabilities for investments purchased during the financial period and which are unpaid at reporting date. All amounts are secured against the relevant investments, except for futures and forward contracts. All transactions are subject to normal credit terms within the relevant securities markets.

(iii) Other payables

Other 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Financial Liabilities (continued)

(iv) Borrowings

Borrowings are initially measured at cost, being the fair value of the consideration received (net of any transaction costs). Borrowings are subsequently measured at amortised cost (using the effective interest method). The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense using an interest rate that discounts future cash payments through the expected life of the financial liability.

(e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the amount can be reliably measured.

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.

Revenue from dividends and distributions is recognised on the date that the dividends and distributions are declared and, if not received at reporting date, is reflected in the Statement of Net Assets as a receivable.

Property rental income is recognised on a receivable basis. Rent received in advance is recorded in the Statement of Net Assets as a liability.

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 funds other than the CSS Fund, and superannuation co-contributions from the Commonwealth Government are recognised on a cash basis.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(f) 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. Direct investment expenses in respect of investment managers, the asset custodian and the buying and selling of securities are recognised on an accruals basis.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an investment property are added to the cost of that property until such time as it is substantially ready for its intended use. All other borrowing costs are recognised in the Statement of Changes in Net Assets in the period in which they are incurred.

(h) Foreign currency translation

Foreign currency transactions are converted to Australian dollars using the currency exchange rate in effect at the point of recognition of each transaction.

At each reporting date:

- (i) cash, amounts receivable and amounts payable denominated in a foreign currency are converted to Australian dollars using the exchange rate prevailing on the last business day of the reporting period; and
- (ii) investments that are measured in a foreign currency are converted to Australian dollars at the date that the net market value was determined.

Resulting exchange differences are brought to account in determining the change in market value of investments for the year and hence the net assets available to pay benefits at the end of the financial year.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Derivatives

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, market exposure risk and foreign exchange rate risk, including (but not limited to) interest rate futures, share price index futures, exchange traded options and foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date a contract is entered into and are subsequently remeasured at each reporting date to their net market value - as determined in accordance with note 2(b). The Group does not undertake hedge accounting as defined in AASB 139 *Financial Instruments: Recognition and Measurement* as all resulting gains or losses are immediately recognised in the Statement of Changes in Net Assets in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

(j) 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 balance 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Income tax (continued)

Deferred tax (continued)

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 balance 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 balance date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the 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.

(k) Superannuation Contributions (Surcharge) Tax

ARIA recognises amounts paid or payable in respect of the surcharge tax 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*.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(l) 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 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, but is reported at note 17.

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.

(m) Goods and Services Tax

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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

4. INVESTMENTS

	Group	Group	Scheme	Scheme
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents				
Cash at bank - Australia	496 730	229 479	-	-
Cash at bank - international	84 284	87 969	-	-
Cash deposits with futures brokers	7 751	9 327	-	-
	588 765	326 775	-	-
Money market securities				
Australian	1 886 556	2 149 300	-	-
International	-	3 959	-	-
	1 886 556	2 153 259	-	-
Fixed interest securities				
Australian	52 815	195 718	-	-
International	1 539 226	1 437 398	-	-
	1 592 041	1 633 116	-	-
Equity investments				
Equity securities - Australian	2 864 447	3 855 966	-	-
Equity securities - international	1 945 065	2 425 076	-	-
Unlisted Australian trusts	2 197 237	1 729 982	-	-
Unlisted Australian controlled trusts	-	-	9 971 816	11 350 387
Unlisted international trusts	1 688 801	2 852 546	-	-
	8 695 550	10 863 570	9 971 816	11 350 387
Property investments				
Unlisted Australian trusts	1 327 694	1 489 602	-	-
Investment Properties - Australian	1 815 437	1 955 004	-	-
	3 143 131	3 444 606	-	-
Derivatives contracts				
Forward currency - Australia	4 338 549	6 459 803	-	-
Forward currency - international	(4 136 387)	(6 294 503)	-	-
Options - Australian	28 487	21 978	-	-
Options - international	(1 985)	(103)	-	-
Futures - Australian	(208)	593	-	-
Futures - international	(328)	(3 183)	-	-
	228 128	184 585	-	-
Total investments	16 134 171	18 605 911	9 971 816	11 350 387

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

5. CHANGES IN NET MARKET VALUES

	Group	Group	Scheme	Scheme
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) Investments held at 30 June:				
Money market securities				
Australian	6 839	20 116	-	-
International	-	-	-	-
Fixed interest securities				
Australian	(1 457)	(2 352)	-	-
International	(53 367)	(74 878)	-	-
Equity investments				
Equity securities - Australian	(261 564)	(693 157)	-	-
Equity securities - International	(189 730)	(378 234)	-	-
Unlisted Australian trusts	(342 983)	(197 403)	-	-
Unlisted Australian controlled trusts	-	-	(1 712 003)	(249 704)
Unlisted international trusts	7 325	(196 187)	-	-
Property investments				
Unlisted Australian trusts	(107 665)	(32 316)	-	-
Investment Properties - Australian	(363 674)	119 366	-	-
Derivatives contracts				
Forward currency	33 091	20 437	-	-
Options - Australian	22 254	10 478	-	-
Options - International	(104)	77	-	-
Futures - Australian	(208)	593	-	-
Futures - International	(328)	(3 183)	-	-
Total change in net market values	(1 251 571)	(1 406 643)	(1 712 003)	(249 704)

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

5. CHANGES IN NET MARKET VALUES (continued)

	Group 2009 \$'000	Group 2008 \$'000	Scheme 2009 \$'000	Scheme 2008 \$'000
(b) Investments realised during the year:				
Money market securities	75 869	82 169	-	-
Australian fixed interest securities	1 696	(439)	-	-
International fixed interest securities	285 742	(9 059)	-	-
Australian equity securities and unlisted trusts	(859 788)	(224 944)	-	-
Unlisted Australian controlled trusts - equity securities	-	-	(6 568)	(159)
International equity securities and unlisted trusts	(235 985)	(217 175)	-	-
Forward currency	(1 535 291)	659 290	-	-
Options	(43 497)	(22 977)	-	-
Futures	8 871	(25 812)	-	-
	<u>(2 302 383)</u>	<u>241 053</u>	<u>(6 568)</u>	<u>(159)</u>
(c) Total changes in net market values of investments	<u>(3 553 954)</u>	<u>(1 165 590)</u>	<u>(1 718 571)</u>	<u>(249 863)</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

6. FUNDING ARRANGEMENTS (continued)

(a) Contributions

Member Contributions

Members contribute to the Scheme at optional rates ranging from 2% - 10% (2008: 2% - 10%) of salary paid to the member. From 1 July 2008, members can also 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% (2008: 3%) of salaries paid to members.

Transferring superannuation benefits from other funds

Money invested in other superannuation funds can be rolled over 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 PSS 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: \$18.4 million). The Commonwealth is the corresponding debtor for this amount in accordance with the funding arrangements described above.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

6. FUNDING ARRANGEMENTS (continued)

(b) Benefits (continued)

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

	Scheme 2009 \$'000	Scheme 2008 \$'000
Gross Appropriation from Consolidated Revenue Fund	612 200	621 465
less: Transfers from PSS Fund to Consolidated Revenue Fund	375 504	369 579
Net Appropriation	236 696	251 886
Consolidated Revenue Fund		
Lump-sum benefits	260 440	333 961
Pensions	351 760	287 504
	612 200	621 465
PSS Fund		
Lump-sums	13 096	21 056
Total benefits paid	625 296	642 521

(c) Costs of administration

Costs of and incidental to the administration of the Scheme and the management and investment of its moneys are charged against the assets of ARIA Investments Trust 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, and are therefore included in Group expenses.

PSS 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 met by the Scheme and its controlled entities are as follows:

	Group	Group	Scheme	Scheme
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Investment managers	43 739	53 723	-	-
Custodian	5 894	5 605	-	-
Investment consultants	6 865	4 421	-	-
Borrowing costs	7 064	15 429	-	-
Other investment expenses	33 886	36 864	-	-
Total direct investment expenses	97 448	116 042	-	-
General administration	13 325	13 862	-	-
	110 773	129 904	-	-
Less:				
Minority interest in controlled entities	(41 814)	(51 837)	-	-
Total costs met by the Scheme	68 959	78 067	-	-

Minority interest in controlled entities include costs charged to ARIA Investments Trust in respect of the administration of the Commonwealth Superannuation Scheme and Public Sector Superannuation Accumulation Plan, and the management and investment of their respective moneys.

The *Superannuation Act 1990* requires ComSuper to assist ARIA in performing its member administration responsibilities in relation to the Scheme. The expenses of ComSuper are met from Commonwealth Government appropriation and 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 PSS 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 ComSuper.

PSS 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)

Scheme administration costs met by sponsoring employers are as follows:

	Scheme 2009 \$'000	Scheme 2008 \$'000
ARIA costs	2 266	2 268
ComSuper costs	<u>27 993</u>	<u>27 894</u>
Total	<u>30 259</u>	<u>30 162</u>

7. INCOME TAX

(a) Income tax recognised in the Statement of Changes in Net Assets

	Group 2009 \$'000	Group 2008 \$'000	Scheme 2009 \$'000	Scheme 2008 \$'000
Tax expense comprises:				
Current tax expense	(115 698)	167 151	33 139	34 136
Adjustments recognised in the current year in relation to the current tax of prior years	(148)	6 356	-	(3 511)
Adjustments recognised in the current year in relation to the deferred tax of prior years	(33 857)	(36 134)	-	-
Write back of Deferred Tax Assets	65 412	-	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	(211 173)	(147 728)	(14)	(2)
Total tax (credit)/expense	<u>(295 464)</u>	<u>(10 355)</u>	<u>33 125</u>	<u>30 623</u>

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

7. INCOME TAX (continued)

(a) Income tax recognised in the Statement of Changes in Net Assets (continued)

	Group 2009 \$'000	Group 2008 \$'000	Scheme 2009 \$'000	Scheme 2008 \$'000
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:				
Increase / (decrease) in net assets for the year before income tax	(2 625 631)	(51 003)	(1 320 996)	140 244
Income tax expense/(credit) calculated at 15%	(393 845)	(7 651)	(198 149)	21 036
Add (less) permanent differences - items not assessable or deductible				
<i>Employee contributions</i>	(84 801)	(82 977)	(84 801)	(82 977)
<i>Benefits paid</i>	93 794	96 378	93 794	96 378
<i>Appropriation from CRF</i>	(35 504)	(37 783)	(35 504)	(37 783)
<i>Investment revenue already taxed</i>	3 583	569	257 785	37 480
<i>Other</i>	14 362	(5 840)	-	-
<i>Imputation credits from franked dividends received</i>	10 169	10 806	-	-
<i>Foreign Tax Credits</i>	548	710	-	-
<i>Indexation on realised capital gains</i>	-	2	-	-
Imputation and foreign tax credits	(65 365)	(79 457)	-	-
Utilisation of carry forward foreign tax credits	(157)	(21)	-	-
Adjustment to recognise losses at 10%	128 957	121 597	-	-
Write back of deferred tax benefits from current and past years	67 251	2 709	-	-
Deferred franking credit movement gross-up	(452)	381	-	-
(Over) provision of income tax in previous year	(34 004)	(29 778)	-	(3 511)
Total tax (credit)/expense	(295 464)	(10 355)	33 125	30 623

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

7. INCOME TAX (continued)

	Group 2009 \$'000	Group 2008 \$'000	Scheme 2009 \$'000	Scheme 2008 \$'000
(a) Income tax recognised in the Statement of Changes in Net Assets (continued)				
Deferred tax assets not brought to account:				
The Trustee estimates the potential future income tax benefit in respect of tax losses and net temporary differences not brought to account in the current year, and written off from past years is:	67 251	2 709	-	-
(b) Current tax assets				
Current tax receivable:				
Income tax receivable	135 275	-	-	-
	135 275	-	-	-
(c) Current tax liabilities				
Current tax payables:				
Income tax payable	-	87 033	32 977	33 621
	-	87 033	32 977	33 621
(d) Deferred tax balances				
Deferred tax assets comprise:				
Temporary differences	72 313	6 135	-	-
	72 313	6 135	-	-
Deferred tax liabilities comprise:				
Temporary differences	15	113 926	15	28
	15	113 926	15	28

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

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

Taxable and deductible temporary differences arise from the following:

2009	Group				
	Opening balance	Charged to income	Acquisition / disposal	Exchange differences	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:					
Unrealised taxable capital gains	108 915	(108 915)	-	-	-
Other	5 011	(4 996)	-	-	15
	<u>113 926</u>	<u>(113 911)</u>	-	-	<u>15</u>
Gross deferred tax assets:					
Accounts payable	1 169	27	-	-	1 196
Tax losses	4 966	66 151	-	-	71 117
	<u>6 135</u>	<u>66 178</u>	-	-	<u>72 313</u>
	<u>107 791</u>	<u>(180 089)</u>	-	-	<u>(72 298)</u>

2008	Group				
	Opening balance	Charged to income	Acquisition / disposal	Exchange differences	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:					
Unrealised taxable capital gains	288 562	(179 647)	-	-	108 915
Other	6 061	(1 050)	-	-	5 011
	<u>294 623</u>	<u>(180 697)</u>	-	-	<u>113 926</u>
Gross deferred tax assets:					
Accounts payable	1 268	(99)	-	-	1 169
Tax losses	1 702	3 264	-	-	4 966
	<u>2 970</u>	<u>3 165</u>	-	-	<u>6 135</u>
	<u>291 653</u>	<u>(183 862)</u>	-	-	<u>107 791</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

7. INCOME TAX (continued)

(c) Deferred tax balances (continued)

2009	Scheme				
	Opening balance	Charged to income	Acquisition / disposal	Exchange differences	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:					
Unrealised taxable capital gains	-	-	-	-	-
Other	28	(13)	-	-	15
	<u>28</u>	<u>(13)</u>	<u>-</u>	<u>-</u>	<u>15</u>
Gross deferred tax assets:					
Accounts payable	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>28</u>	<u>(13)</u>	<u>-</u>	<u>-</u>	<u>15</u>
2008	Scheme				
	Opening balance	Charged to income	Acquisition / disposal	Exchange differences	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:					
Unrealised taxable capital gains	-	-	-	-	-
Other	30	(2)	-	-	28
	<u>30</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>28</u>
Gross deferred tax assets:					
Accounts payable	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>30</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>28</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

8. TRANSFER TO THE PUBLIC SECTOR SUPERANNUATION SCHEME FROM THE COMMONWEALTH SUPERANNUATION SCHEME

Certain former contributors to the Commonwealth Superannuation Scheme who again become 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: nil transfers).

9. OTHER RECEIVABLES

	Group	Group	Scheme	Scheme
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Interest receivable	18 632	22 914	97	187
Dividends and distributions receivable	38 708	143 009	-	-
Goods and services tax recoverable	934	196	-	-
Amounts due from the CSS Fund	412	412	412	412
Other	6 658	7 384	-	-
	65 344	173 915	509	599

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

10. OTHER PAYABLES

	Group	Group	Scheme	Scheme
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Trust distribution payable	3 661	-	-	-
Investment expenses payable	7 257	10 735	-	-
Accrued expenses	8 051	17 190	-	-
Other liabilities	16 065	8 096	1 259	1 213
	35 034	36 021	1 259	1 213

11. BORROWINGS

	Group	Group	Scheme	Scheme
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) Borrowings				
Current				
Cash advance facility	144 000	196 500	-	-
Total	144 000	196 500	-	-
(b) Borrowing facilities				
Unsecured cash advance facility				
Amount used	144 000	196 500	-	-
Amount unused	56 000	28 500	-	-
Total	200 000	225 000	-	-

ARIA Property Fund and PSS/CSS A Property Trust, controlled entities (see note 20), have cash advance facilities of \$100 million and \$100 million respectively (2008: \$225 million and \$nil) with an Australian bank. The facilities expire on 11 November 2010. The facilities are unsecured.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

12. AUDITOR'S REMUNERATION

	Group	Group	Scheme	Scheme
	2009	2008	2009	2008
	\$	\$	\$	\$

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

Financial statements and APRA forms	366 050	248 875	82 650	72 300
Risk management strategy and risk management plan	18 000	13 000	9 000	6 000
Total	384 050	261 875	91 650	78 300

Amounts paid or payable to other auditors for the audit of group entities

-	39 100	-	-
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Value of non-audit services provided by Deloitte:

Tax services - international	10 204	-	-	-
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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. For the 2009 financial year, the audit services for the Scheme were received free of charge.

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

No other services were provided by the Australian National Audit Office during the reporting period.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

13. SCHEME SUPERANNUATION CONTRIBUTIONS SURCHARGE

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:

	Scheme 2009 \$'000	Scheme 2008 \$'000
Total surcharge liability outstanding at start of year	45 944	44 898
Assessments received during the year	2 714	2 288
Interest on outstanding surcharge liabilities at end of year	2 691	2 621
	51 349	49 807
Less: Amounts paid by members and Consolidated Revenue Fund	(5 871)	(3 863)
Total surcharge liability outstanding at end of year	45 478	45 944

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

The surcharge tax on contributions ceased on 1 July 2005; 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. 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 following disclosures address types of risk that relate to financial instruments of the Group and how those risks are managed. References to the Group encompass the Scheme unless specified otherwise.

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 Schemes' published investment strategy. ARIA applies strategies to manage risk relating to the investment activities of the 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 Fund was in compliance with this requirement throughout the year.

(d) Categories of financial instruments

The assets and liabilities of the Group 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 operating statement.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (continued)

(e) Financial risk management objectives

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

ARIA ensures that there is an effective risk management control framework in place for the Group. Consistent with regulatory requirements, ARIA has developed, implemented and maintains a Risk Management Strategy and Risk Management Plans to identify the policies, procedures, processes and controls that comprise its risk management and control systems. 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.

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.

The Group'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 Group and is in accordance with its investment strategy.

ARIA's internal investment team monitors and manages the financial risks relating to the Group's investments.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. 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 Group. ARIA has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss.

The Group does not have any significant exposure to any single counterparty. No individual exposure exceeds 5% of net assets at either 30 June 2009 or 30 June 2008.

The credit risk on cash and cash equivalents, trade receivables and financial derivatives is limited because the counterparties are banks or brokers with high credit ratings assigned by international credit agencies. The credit risk on the Scheme's directly held cash and interest receivable is limited because the counterparty is Reserve Bank of Australia.

All trade and other receivables are expected to be settled within 3 months of reporting date (2008: 3 months).

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

	Group		Scheme	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Investments				
Cash and cash equivalents	588 765	326 775	-	-
Money market investments	1 886 556	2 153 259	-	-
Fixed interest investments	1 592 041	1 633 116	-	-
Equity investments	8 695 550	10 863 570	9 971 816	11 350 387
Property investments	3 143 131	3 444 606	-	-
Derivative financial assets	228 128	184 585	-	-
Other financial assets				
Trade settlements receivable	63 821	77 010	-	-
Other receivables	65 344	173 915	509	599
	16 263 336	18 856 836	9 972 325	11 350 986

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (Continued)

(g) Liquidity risk (continued)

Liquidity risk is the risk that the Group will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its financial liabilities and/or unitholder redemption requests.

The Group'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 Group 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 Group 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.

The following tables detail the maturity profile of financial liabilities and other liabilities as at reporting date. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest potential date of payment. The tables include both interest and principal cash flows.

2009	<3 months	3-12 months	1-5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
Vested benefits (i)	43 197 000	-	-	-	43 197 000
Benefits payable	12 636	-	-	-	12 636
Trade and other payables	243 922	-	-	-	243 922
Borrowings	-	144 000	-	-	144 000
Derivative financial liabilities	-	-	-	-	-
Deferred tax liabilities	-	-	15	-	15
	43 453 558	144 000	15	-	43 597 573
Scheme					
Vested benefits (i)	43 197 000	-	-	-	43 197 000
Benefits payable	12 636	-	-	-	12 636
Trade and other payables	1 259	-	-	-	1 259
Current tax liabilities	-	32 977	-	-	32 977
Deferred tax liabilities	-	-	15	-	15
	43 210 895	32 977	15	-	43 243 887

(i) Refer to note 16 for information on liabilities for vested benefits.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (Continued)

(g) Liquidity risk (continued)

2008	<3 months	3-12 months	1-5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>					
Vested benefits (i)	39 398 000	-	-	-	39 398 000
Benefits payable	42 663	-	-	-	42 663
Trade and other payables	237 659	-	-	-	237 659
Borrowings	196 500	-	-	-	196 500
Derivative financial liabilities	-	-	-	-	-
Current tax liabilities	-	87 033	-	-	87 033
Deferred tax liabilities	-	-	113 926	-	113 926
	39 874 822	87 033	113 926	-	40 075 781
<u>Scheme</u>					
Vested benefits (i)	39 398 000	-	-	-	39 398 000
Benefits payable	42 663	-	-	-	42 663
Trade and other payables	1 213	-	-	-	1 213
Current tax liabilities	-	33 621	-	-	33 621
Deferred tax liabilities	-	-	28	-	28
	39 441 876	33 621	28	-	39 475 525

(i) Refer to note 16 for information on liabilities for vested benefits.

(h) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises 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 Plans.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Foreign currency risk (continued)

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 AIT, 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. In addition, 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 value of the Group's foreign currency dominated financial assets and financial liabilities at the reporting date are shown in the table below. The Scheme does not directly hold foreign currency denominated assets or liabilities.

	US A\$'000	Japanese Yen A\$'000	European Euros A\$'000	British Pounds A\$'000	Other Currencie A\$'000	Total A\$'000
2009						
Financial assets	3 448 014	348 991	860 138	335 230	385 269	5 377 642
Financial liabilities	126 127	1 071	10 996	7 155	5 444	150 793
Gross amounts	3 321 887	347 920	849 142	328 075	379 825	5 226 849
Forward foreign	(2 560 344)	(303 507)	(741 342)	(295 851)	(235 344)	(4 136 388)
Net exposure (excess hedge)	761 543	44 413	107 800	32 224	144 481	1 090 461
Net market value of forward foreign exchange contracts						202 162
2008						
Financial assets	4 600 435	237 783	830 778	152 199	692 205	6 513 400
Financial liabilities	160 594	382	2 198	147	346	163 666
Gross amounts	4 439 841	237 401	828 580	152 052	691 859	6 349 734
Forward foreign	(3 859 794)	(414 624)	(1 081 376)	(477 821)	(460 888)	(6 294 503)
Net exposure (excess hedge)	580 047	(177 223)	(252 796)	(325 769)	230 972	55 231
Net market value of forward foreign exchange contracts						165 300

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (Continued)**(h) Market risk (Continued)****Foreign currency sensitivity**

The following table details the Group's sensitivity to an increase or decrease in the Australian Dollar against relevant foreign currencies, assuming that all other variables, and in particular interest rates, remain constant. The Scheme does not directly hold foreign currency denominated assets or liabilities. The percentage increases and decreases applied to each currency represent an assessment of average historical volatility in exchange rates. Had the translation rate at the reporting date been adjusted by the volatility factors in the table, a strengthening/weakening of the Australian Dollar against the respective currencies would have given rise to an improvement/(deterioration) in the financial results as shown. The sensitivity analysis includes only outstanding units of currency or assets and liabilities to be received or paid in fixed or determinable amounts of foreign currency.

2009		- Volatility factor		+Volatility factor	
Currency and volatility factor		Net operating income attributable to unitholders \$'000	Net assets attributable to unitholders \$'000	Net operating income attributable to unitholders \$'000	Net assets attributable to unitholders \$'000
US Dollars	12%	103 847	103 847	(81 594)	(81 594)
Japanese Yen	12%	6 056	6 056	(4 759)	(4 759)
European Euros	12%	14 700	14 700	(11 550)	(11 550)
British Pounds	12%	4 394	4 394	(3 453)	(3 453)
Other currencies	12%	19 702	19 702	(15 480)	(15 480)
		148 699	148 699	(116 836)	(116 836)

2008		- Volatility factor		+Volatility factor	
Currency and volatility factor		Net operating income attributable to unitholders \$'000	Net assets attributable to unitholders \$'000	Net operating income attributable to unitholders \$'000	Net assets attributable to unitholders \$'000
US Dollars	13%	86 674	86 674	(66 731)	(66 731)
Japanese Yen	11%	(21 904)	(21 904)	17 563	17 563
European Euros	7%	(19 028)	(19 028)	16 538	16 538
British Pounds	9%	(32 219)	(32 219)	26 898	26 898
Other currencies	10%	25 664	25 664	(20 997)	(20 997)
		39 187	39 187	(26 729)	(26 729)

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

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 Group invests in various asset classes, including fixed and floating rate securities, in order to obtain a return on behalf of its unitholders. Future changes in market interest rates will expose these fixed and floating rate securities to changes in valuation and changes in cash flows respectively. Interest rate risk in relation to these securities is managed by ensuring that the relevant investment managers invest in accordance with written investment mandates, which may authorise the use of fixed interest futures, money market securities futures and interest rate swaps.

All Group borrowings arise in a 100% controlled entity. The borrowings of the Group are subject to the risk of changing market interest rates which will affect future cash flows. The overall impact on the Group is disclosed in the interest rate sensitivity analysis below.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (continued)**(h) Market risk (continued)****Interest rate risk (continued)**

The Group's exposure to interest rate movements on investments at 30 June was as follows:

30 June 2009	Variable Interest Rate Instruments \$'000	Fixed Interest Rate Instruments \$'000	Non Interest Bearing \$'000	Total \$'000
<u>Group</u>				
Assets				
Cash and cash equivalents	588 765			588 765
Money market investments	1 886 556			1 886 556
Fixed interest investments		1 592 041		1 592 041
Equity investments			8 695 550	8 695 550
Property investments			1 327 694	1 327 694
Derivatives contracts			228 128	228 128
Trade and other receivables			129 165	129 165
Liabilities				
Benefits payable			(12 636)	(12 636)
Trade and other payables			(208 888)	(208 888)
Accrued expenses			(35 034)	(35 034)
Borrowings	(144 000)			(144 000)
Total	2 331 321	1 592 041	10 123 979	14 047 341
<u>Scheme</u>				
Assets				
Cash and cash equivalents	66 651			66 651
Equity investments			9 971 816	9 971 816
Trade and other receivables			509	509
Liabilities				
Trade and other payables			(1 259)	(1 259)
	66 651	-	9 971 066	10 037 717

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate risk (continued)

30 June 2008	Variable Interest Rate Instruments \$'000	Fixed Interest Rate Instruments \$'000	Non Interest Bearing \$'000	Total \$'000
<u>Group</u>				
Assets				
Cash and cash equivalents	326 775			326 775
Money market investments	2 153 259			2 153 259
Fixed interest investments		1 633 116		1 633 116
Equity investments			10 863 570	10 863 570
Property investments			1 489 602	1 489 602
Derivatives contracts			184 585	184 585
Trade and other receivables			250 925	250 925
Liabilities				
Benefits payable			(42 663)	(42 663)
Trade and other payables			(201 638)	(201 638)
Accrued expenses			(36 021)	(36 021)
Borrowings	(196 500)			(196 500)
Total	2 283 534	1 633 116	12 508 360	16 425 010
<u>Scheme</u>				
Assets				
Cash and cash equivalents	54 321			54 321
Equity investments			11 350 387	11 350 387
Trade and other receivables			599	599
Liabilities				
Trade and other payables			(1 213)	(1 213)
Total	54 321	-	11 349 773	11 404 094

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (continued)**(h) Market risk (continued)****Interest rate risk (continued)****Interest rate sensitivity**

The following table illustrates the Scheme and Group's sensitivity to a 0.75% p.a. (2008: 0.5% p.a) increase or decrease in interest rates, based on risk exposures in existence at the reporting date. This represents an assessment of the reasonably possible change in interest rates as at that date. If interest rates had been lower or higher by 0.75% p.a. (2008: 0.5% p.a.) at reporting date, and all other variables (including the value of interest-bearing assets and liabilities) were held constant, the financial result would have improved/(deteriorated) as follows:

Group

	Change in interest rate	Net operating income attributable to unitholders		Net assets attributable to unitholders	
		\$'000	\$'000	\$'000	\$'000
2009					
Exposure	+/-0.75%	(42 217)	42 217	(42 217)	42 217
2008					
Exposure	+/-0.5%	(29 410)	29 410	(29 410)	29 410

Scheme

	Change in interest rate	Net operating income attributable to unitholders		Net assets attributable to unitholders	
		\$'000	\$'000	\$'000	\$'000
2009					
Exposure	+/-0.75%	(500)	500	(500)	500
2008					
Exposure	+/-0.5%	(272)	272	(272)	272

In ARIA's opinion, the sensitivity analysis at reporting date is representative of the interest rate exposures during the financial year.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other market risks

Other 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 and Group have investment in equity securities, unit trusts and pooled superannuation trusts which have exposure to price risks. As the financial instruments are carried at net market value with changes in net market value recognised in the operating statement, all changes in market conditions will directly affect net investment income.

ARIA manages the price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

The following table illustrate the effect of reasonably possible changes in market prices, based on risk exposures in existence at the reporting date. The volatility factors applied for the Group represent long term market price volatilities for each asset sector. For the Scheme's investment in the default option units in AIT the historical price volatility for that unit price is applied in the analysis; for the Cash option a reasonably possible change in interest rates of 0.75% (2008: 0.5%) is applied. Had market prices been higher or lower at the reporting date by the factors identified below, and all other variables were held constant, the financial result would have improved or deteriorated as follows:

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

15. SCHEME 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 part of a month where a member exits the Scheme during a month.

	Scheme 2009 \$'000	Scheme 2008 \$'000
Opening balance of unallocated income	77 768	4 060 113
Add/Less: Adjustments for estimates	(4)	7 768
Add: Earnings of Fund for the year	(1 716 053)	(241 898)
Less: Earnings paid out in benefit payments	-	-
Less: Earnings allocation to members' accounts	1 611 368	(3 748 215)
Closing balance of unallocated income	<u>(26 921)</u>	<u>77 768</u>

The closing balance represents approximately 0.27% (2008: 0.7%) of the members' funded entitlements as at the 30 June 2009. For 30 June 2009, income was over allocated to members.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

16. SCHEME 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 \$43.2 billion (2008: \$39.4 billion), based on data maintained 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:

	Scheme 2009 \$billion	Scheme 2008 \$billion
Funded component	10.0	11.4
Unfunded component	33.2	28.0
	43.2	39.4

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

	Scheme 2009 \$billion	Scheme 2008 \$billion
Funded component	10.0	11.4
Net assets plus funded benefits payable	10.0	11.4
Surplus (deficiency)	-	-

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

17. SCHEME 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 triennial 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 review is attached.

Accrued benefits as at 30 June were:

	Scheme 2008 \$billion	Scheme 2005 \$billion
Funded component	11.4	7.6
Unfunded component	20.9	13.8
	<u>32.3</u>	<u>21.4</u>

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

	2008 \$billion	2005 \$billion
Funded accrued benefits	11.4	7.6
Net assets plus funded benefits payable	11.4	7.6
Surplus (deficiency)	<u>-</u>	<u>-</u>

18. SEGMENT REPORTING

The Group operates in the superannuation and funds management industries in Australia. Approximately 34% (2008: 37%) of Group investments (excluding cash and derivatives contracts) are placed directly overseas.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

19. 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 or its controlled entities during the reporting period.

(b) Trustees of ARIA

The trustees of ARIA throughout 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

19. RELATED PARTIES (continued)

(c) Key management personnel compensation

The trustees of ARIA throughout the year ended 30 June 2009 are listed under note 19(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:

	Group	Group	Scheme	Scheme
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	1 740 991	1 920 236	584 478	673 486
Post-employment benefits	280 018	253 540	94 007	88 924
Other long-term benefits	97 763	46 428	32 821	16 284
Termination benefits	-	409 415	-	143 595
Share-based payment	-	-	-	-
	<u>2 118 772</u>	<u>2 629 619</u>	<u>711 306</u>	<u>922 289</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

19. RELATED PARTIES (continued)

(c) Key management personnel compensation (continued)

Aggregate compensation 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 is charged as part of general administration expenses against assets of the ARIA Investments Trust.

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.

(d) Related party investment

The Scheme held the following investments in related parties at 30 June:

	Net Market Value of Investment 2009 \$'000	Net Market Value of Investment 2008 \$'000	Share of Net Income after tax 2009 \$'000	Share of Net Income after tax 2008 \$'000
<u>Controlled Entities</u>				
ARIA Investments Trust	9 971 816	11 350 387	(1 712 003)	(249 704)
	<u>9 971 816</u>	<u>11 350 387</u>	<u>(1 712 003)</u>	<u>(249 704)</u>

All transactions are conducted under normal industry terms and conditions.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

20. GROUP ENTITIES

Name of Entity	Country of domicile	Proportion of ownership	
		at 30 June 2009 %	at 30 June 2008 %
<u>Parent Entity:</u>			
Public Sector Superannuation Scheme	Australia	100	100
<u>Entities controlled by Public Sector Superannuation Scheme:</u>			
ARIA Investments Trust	Australia	61	66
<u>Entities controlled by ARIA Investments Trust:</u>			
PSS/CSS International Investments Trust	Australia	100	100
CFM Australian Equities Fund	Australia	100	100
Commonwealth Funds Management Limited Pooled Superannuation Trust	Australia	100	100
ARIA Alternative Assets Trust	Australia	100	100
ARIA Property Fund	Australia	100	100
PSS/CSS A Property Trust	Australia	100	100
PSS/CSS B Property Trust	Australia	100	100
ARIA Long Short Trust (wound up as at 30 June 2009)	Australia	-	100
SSGA Rexiter Emerging Markets Trust #	Australia	73	96
<u>Entities controlled by ARIA Alternative Assets Trust:</u>			
Loomis Sayle Senior Loan Fund #	Australia	82	92

Consolidated for the first time during the year ended 30 June 2009.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2009

21. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Investments

At 30 June the outstanding investment capital commitments of the Scheme and Group are expected to be settled as follows:

	Group	Group	Scheme	Scheme
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Within 12 months	114 163	21 930	-	-
Greater than 12 months but less than 5 years	199 421	99 667	-	-
Greater than 5 years	943 354	1 099 177	-	-
	1 256 938	1 220 774	-	-

(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 and Group.

There were no other contingent liabilities or contingent assets for the Scheme or Group at 30 June 2009 (2008: \$nil).

(c) Contingent assets

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

22. 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.