



aria

Annual Report to Parliament

10-11

ARIA

CSS
PSS
PSSap



From 1 July 2011, the entity previously named the Australian Reward Investment Alliance (ARIA) was renamed the Commonwealth Superannuation Corporation (CSC) by Section 5 of the *Governance of Australian Government Superannuation Schemes Act 2011*. References throughout this Annual Report to Parliament refer to the entity that was formerly named ARIA but which, on 1 July 2011, was renamed CSC.

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Note: All statistics are derived solely from records available to ARIA and ComSuper (Commissioner for Superannuation – scheme administrator) as they stood at the time these statistics were compiled. Where statistics for earlier financial years are quoted, these may vary from those previously published due to the application of retrospective adjustments that are now reflected in this report. For similar reasons statistical information in this report may also vary from that presented by other agencies.

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Letter of
transmittal



Senator the Hon Penny Wong
Minister for Finance and Deregulation
Parliament House
Canberra ACT 2600

Dear Minister

From 1 July 2011, the entity previously named Australian Reward Investment Alliance (ARIA) was renamed Commonwealth Superannuation Corporation (CSC) by Section 5 of the *Governance of Australian Government Superannuation Schemes Act 2011*. I am pleased to present to you, in accordance with Section 30 of the *Governance of Australian Government Superannuation Schemes Act 2011*, the Annual Report on the operations of ARIA (now CSC) for 2010/11. The Report details the performance of ARIA functions and the administration of the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme and the Public Sector Superannuation accumulation plan and includes audited financial statements in respect of the management of those funds during the year ended 30 June 2011.

Subsection 30(4) of the *Governance of Australian Government Superannuation Schemes Act 2011* requires you to cause a copy of the report to be laid before each House of Parliament within 15 sitting days after you receive it.

Yours sincerely



Tony Hyams

23 September 2011

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Chairman's report



It is with pleasure that I present ARIA's Annual Report to Parliament. ARIA continued its core business focus on delivering competitive long-term investment returns for members during 2010/11.

The CSS Default Fund recorded a return of 7.3% (after fees and taxes) and the PSS Default Fund returned 7.2% (after fees and taxes). The CSS Cash Investment Option achieved a net return of 4.2% and the PSS Cash Investment Option achieved a net return of 4.3%.

The PSSap's default option, Trustee Choice, in which the majority of PSSap members invest, had a return of 7.1% (after fees and taxes).

There was a significant amount of activity in 2010/11 in relation to our schemes specifically and the superannuation industry generally.

The CSS and PSS performed above the median super fund returns for five years in the SuperRatings performance data. These findings are based on the peer group ranking which is measured against the standard SuperRatings Balanced Options Index Universe of 50 superannuation funds in Australia. The PSSap Trustee Choice option also performed better than the median super fund in the past five years. Our focus during the year ahead will be to maintain and enhance our investment performance.

On 21 June 2011 Parliament passed a package of legislation including the *Governance of Australian Government Superannuation Schemes Act 2011* merging ARIA, the Military Superannuation and Benefits (MSB) Board and the Defence Force Retirement and Death Benefits (DFRDB) Authority to form a consolidated trustee body, Commonwealth Superannuation Corporation, with effect from 1 July 2011.

In accordance with the Government's plans to reform Government superannuation administration, ComSuper (ARIA's administrator), on behalf of the Commonwealth, entered into a contract with Pillar to provide member services to PSSap members from 21 November 2011. Until that time, ComSuper will continue to provide member services. We are working closely with ComSuper and Pillar to ensure this transition is as smooth and efficient as possible.

For the coming year, our focus remains on achieving competitive investment returns over the long-term and giving members the information and resources they need to make better super decisions. Our expectation is that investment markets in 2011/12 will remain volatile. One of the major events for this coming financial year is working to implement the changes which have resulted from the merger between ARIA, the Military Superannuation and Benefits (MSB) Board and the Defence Force Retirement and Death Benefits (DFRDB) Authority. This will not change scheme rules, benefits or entitlements in any way.

I thank fellow trustees for their contribution in 2010/11. During the year Margaret Gillespie resigned from her position on 13 May 2011 and Tony Cole was appointed on 16 December 2010.

I also acknowledge and thank ARIA staff for their commitment throughout the year. Their ongoing dedication is a key component of ARIA's continued success.



Tony Hyams
Chairman

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Executive summary

Investment results
Merger and reforms
to superannuation
administration
Major events and
developments
Investment
governance
Service to members
Administration
Regulatory and
policy environment
Future directions



Investment results

ARIA finished 2010/11 with more than \$19b funds under management and 490,203 members in the CSS, PSS and PSSap. The PSSap continued to grow strongly with 109,941 members at the end of the year. Membership of the closed CSS and PSS schemes continued to decline in line with forecasts.

The CSS and PSS performed above the median super fund returns for five years in the SuperRatings performance data. The PSSap Trustee Choice option performed better than the median super fund in the past five years. These findings are based on the peer group ranking which is measured against the standard SuperRatings Balanced Options Index Universe of 50 superannuation funds in Australia.

CSS and PSS Default Funds

The CSS Default Fund posted a net return of 7.3% and the PSS Default Fund posted a net return of 7.2%. After strong gains in 2009/10, the Default Fund performance remained solid in 2010/11.

The CSS Default Fund achieved an average net return (after fees and tax) of 0.1% per annum in the three years to 30 June 2011. This compared with a five-year average net return of 2.8% per annum and seven-year average net return of 5.8% per annum.

The PSS Default Fund achieved an average net return (after fees and tax) of 0.1% per annum in the three years to 30 June 2011. This compared with a five-year average net return of 3.0% per annum and seven-year average net return of 5.8% per annum.

CSS and PSS Cash Investment Options

The CSS Cash Investment Option posted a net return of 4.2% and the PSS Cash Investment Option posted a net return of 4.3% for the year ending 30 June 2011, which is in line with their objectives once the impact of tax on returns is taken into account.

PSSap

Over the financial year to 30 June 2011, the PSSap's default fund (Trustee Choice) advanced by a solid 7.1%, as strong financial market performance was tempered by the constraining impact of a slowdown in developed market economic growth and an escalation of the European debt crisis in the second half of the year.

Over the six years since inception, PSSap's Trustee Choice achieved a net return of 4.7% per annum.

Merger and reforms to superannuation administration

In October 2008, the Government announced a package of reforms to improve and consolidate governance and administration of Australian Government superannuation schemes including the CSS, PSS and PSSap.

On the 21 June 2011, Parliament passed a package of legislation including the *Governance of Australian Government Superannuation Schemes Act 2011* which provided for the establishment of a consolidated trustee, to be known as Commonwealth Superannuation Corporation, from 1 July 2011. These arrangements result in the merger of ARIA, the MSB Board and the DFRDB Authority. On 1 July 2011, ARIA's name changed to Commonwealth Superannuation Corporation (CSC). As a result of the merger, there is a new CSC Board and the assets of the military superannuation scheme will be integrated into the ARIA Investments Trust.

In November 2009, the Government announced a package of reforms dealing with our administrator, ComSuper.

These include outsourcing the administration of the PSSap, data quality and systems modernisation, and improved disaster recovery capability. The Government contracted Pillar Administration to provide certain member services to PSSap members from 21 November 2011. Until that time, ComSuper will continue to provide all member services. The reforms will not impact members' benefits or entitlements and will not affect administration of the PSS and CSS.

Major events and developments

A continuing focus of attention in 2010/11 was risk management. This included a reassessment and analysis of our investment and operational risks.

The Government confirmed previously announced policies in the 2011 Budget.

- > From 1 July 2011, people who breach the concessional contributions cap by up to \$10,000 can request a refund of the excess contributions, rather than paying excess tax on the amount.
- > In respect of the 2011-12 financial year, the over-50s concessional contributions cap remains at \$50,000.
- > The Government has again frozen the income thresholds for the co-contribution. The freeze that is in place for the 2010/2011 and 2011/2012 financial years will now be extended to the 2012/2013 year.
- > From 1 July 2011, the Government permits super fund trustees to use tax file numbers to locate member accounts to help consolidate multiple member accounts, and thus reduce account fees incurred by multiple accounts.
- > From 1 July 2012, employers must provide superannuation payment amounts on employee pay slips. Employees and employers will also receive notification from their superannuation fund if regular payments cease.

These changes to superannuation have not yet been passed into law.

On 30 June 2010, the Government released the Cooper Review of the governance, efficiency, structure and operation of Australia's superannuation system. The creation of MySuper was announced along with other recommendations as part of the

Super System Review which began in 2009. The timeframe for implementation is 1 July 2013.

Investment governance

In 2007/08 the ARIA trustees adopted a world best practice investment governance structure following a review undertaken by Watson Wyatt. In 2010/11 ARIA continued to improve critical components of that structure, which is aimed at improving and sustaining a high level of investment governance to enhance our capabilities in one of our core areas of activity.

In May 2011, trustees approved a strategy to ensure that ARIA capital is not directly provided to cluster bomb manufacturers.

Service to members

ARIA aims to give members information, education and advice to help them make super decisions. ARIA does this by giving members clear, concise and targeted communications throughout the year and works with the scheme administrator to deliver first-class websites, contact centres and comprehensive employer support.

ARIA's member education program, At Work for You, continued to be a valuable tool for members. In 2010/11 ARIA held workshops at 12 locations around Australia. There were 181 At Work for You workshops throughout the year with approximately 7,000 members attending.

ARIA's websites and targeted campaigns are another way that ARIA helps members to improve their super knowledge and confidence. The scheme websites have a range of online tools and members can find information specific to their super scheme. ARIA conducts research with its members to identify areas of improvement for its online services. The scheme administrator offers members information through its CSS, PSS and PSSap contact centres.

ARIA works closely with ComSuper, the scheme administrator, to provide effective and efficient superannuation services to its members. A Service Level Agreement (SLA) came into operation on 1 July 2009. The SLA sets out the service standards for the CSS, PSS and the PSSap. ARIA measures performance against the SLA throughout the year.

Administration

During 2010/11, ComSuper focused on:

- > improving and consolidating service delivery to ensure quality, consistency and timeliness of services to members on ARIA's behalf
- > increasing the confidence of key stakeholders by providing high quality services
- > creating an environment that fosters a highly capable and committed workforce
- > improving data quality.

As part of the Government's review of its superannuation arrangements, ComSuper has reviewed its core administration systems and processes. These reviews have resulted in a number of strategies which will be progressively rolled out during 2011/12 to increase efficiency and improve accuracy of services.

Regulatory and policy environment

A number of regulatory and policy initiatives occurred throughout the year. Legislative amendments include:

- > The *Statute Law Revision Act 2011* amended the definition of 'Department' in the *Superannuation Act 1976* (CSS Act) to specify Departments of the Parliament that have been established under the *Parliamentary Service Act 1999*. This amendment had effect from 19 April 2011.
- > The *Statute Law Revision Act 2011* amended the definition of 'Department' in the *Superannuation Act 1990* (PSS Act) to specify Departments of the Parliament that have been established under the *Parliamentary Service Act 1999*. This amendment had effect from 19 April 2011. There have been no amendments to the PSS Trust Deed.

From 1 July 2011, the 34th and the 35th Amending Deeds to the PSS Trust Deed will take effect. The 34th Amending Deed allows PSS members who continue in employment between ages 70 to 75 to continue to accrue employer benefits in the scheme. The 35th Amending Deed makes changes to the Trust Deed consequential to the merger legislation (see next column).

- > The *Statute Law Revision Act 2011* amended the definition of 'Department' in The *Superannuation Act 2005* (PSSap Act) to specify Departments of the Parliament that have been established under the *Parliamentary Service Act 1999*. This amendment had effect from 19 April 2011. There have been no amendments to the PSSap Trust Deed. From 1 July 2011, the 5th Amending Deed to the PSSap Trust Deed will take effect. The 5th Amending Deed makes changes to the Trust Deed consequential to the merger legislation (see next column).

- > A legislative package comprising the *Governance of Australian Government Superannuation Schemes Act 2011*, *ComSuper Act 2011* and the *Superannuation Legislation (Consequential and Transitional Provisions) Act 2011* was passed by Parliament on 21 June 2011, which amongst other things, consolidated the trusteeship of the main civilian and military superannuation schemes. As a result ARIA, the MSB Board and the DFRDB Authority merged to form a consolidated trustee body, Commonwealth Superannuation Corporation, with effect from 1 July 2011. Various consequential amendments to the scheme legislation have been made as a result of the trustee consolidation.

Future directions

Our activities will continue to be centred on achieving competitive investment returns and in providing members with adequate information and advice to enable them to maximise their superannuation benefits.

Our business planning in 2011/12 will have three areas of focus:

- (a) integration of the assets of all schemes for which CSC is responsible;
- (b) the successful outsourcing of the scheme administration of the PSSap;
- (c) continued enhancement of risk management in all aspects of our business;
- (d) working on product and service enhancements such as permitting salary sacrifice to the PSSap for CSS and PSS members, having a PSSap allocated pension product and providing intra-fund advice to our members.

Peter Carrigy-Ryan
Chief Executive Officer

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ARIA

ARIA trustees
Trustee members
Trustee and trustee committee meetings
ARIA employees
Trustee resources
ARIA's financial management
Ecologically sustainable development and environmental performance
Internal governance
Outcomes and program structure



ARIA trustees

The *Governance of Australian Government Superannuation Schemes Act 2011* gave effect to the Government's announcement in October 2008 to merge the Australian Reward Investment Alliance (ARIA), the Military Superannuation and Benefits Board (MSB Board) and the Defence Force Retirement and Death Benefits Authority (DFRDB Authority) to form a single trustee body called the Commonwealth Superannuation Corporation (CSC).

The terms of all ARIA trustees expired on 30 June 2011 with the establishment of CSC.

ARIA was established under the *Superannuation Act 1990* and is licensed under the *Corporations Act 2001* and the *Superannuation Industry (Supervision) Act 1993 (SIS Act)*. ARIA manages the CSS, PSS and PSSap in accordance with the provisions of the CSS, PSS and PSSap Acts, and is responsible for the management and investment of the three superannuation schemes. See the functional chart in Appendix C.

Trustee members

The Minister for Finance and Deregulation appoints the seven trustees of ARIA. Three are nominated by the Government as employer representatives, three by the Australian Council of Trade Unions (ACTU) as member representatives, and the Chairman is independent.

All trustees are appointed for periods not exceeding three years (but are eligible for reappointment). Members holding office between 1 July 2010 and 30 June 2011 are:



Mr Tony Hyams
Chairman
First appointed
21 December 2009
Term expired
30 June 2011

Mr Tony Hyams was appointed Chairman of ARIA on 21 December 2009. Mr Hyams is also Chairman of the Military Superannuation and Benefits Board and an Independent Adviser to the Credit Suisse Group. Mr Hyams is a Governor of WWF Australia and he has degrees in Law and Commerce from the University of Melbourne.



Mr Brian Daley
First appointed
19 March 2009
Term expired
30 June 2011

Mr Daley has extensive experience in the superannuation industry having been an advocate for award superannuation in the 1980s and a trustee of a number of industry funds since that time. He is a trustee of AustralianSuper and HOSTPLUS as well as having been a representative on the Australian Institute of Superannuation Trustees, Industry Fund Services and state and federal committees of the Association of Superannuation Funds of Australia. He is also a Director of the Industry Super Property Trust (ISPT).

Mr Daley is also National President of the Liquor, Hospitality and Miscellaneous Union (LHMU).



Mr Peter Feltham
First appointed
1 July 2005
Term expired
30 June 2011

Mr Feltham is also a member of the Audit and Risk Management Committee. Mr Feltham is a Senior Industrial Officer with the Community and Public Sector Union (CPSU) and is responsible for superannuation policy within the CPSU. He has worked for the CPSU and its predecessor organisations for more than 25 years in a range of capacities at the state and national level as both an employee and official. Before this, Mr Feltham worked for 10 years in the federal public service.



Ms Margaret Gillespie
First appointed
1 October 2007
Resigned
13 May 2011

Ms Gillespie is a former Assistant National Secretary of the Community and Public Sector Union (2003-2008). She served two terms as a Vice President of the ACTU (2003-2007). Ms Gillespie is also a member of the ACT Ministerial Advisory Council on Women, the Council of the University of Canberra and the ACT Land Development Agency.



Ms Winsome Hall
First appointed
1 July 1996
Term expired
30 June 2011

Ms Hall is Chair of the ARIA Audit and Risk Management Committee. She is also Chairman of Zurich Australian Superannuation Pty Limited and trustee director of various commercialisation funds as a nominee of Westscheme. Ms Hall has previously been Director of listed company Colonial First State Infrastructure and Private Equity, the Financial Industry Complaints Scheme and State Super Financial Services. She has provided best practice advice to the Association of Superannuation Funds Australia and was previously a Senior Advisor in the Department of the Prime Minister and Cabinet and Secretary of the ACT Branch of the CPSU from 1989 to 1993.



Mr Dennis Trewin AO
First appointed
20 December 2007
Term expired
30 June 2011

Mr Trewin is a statistical consultant having undertaken contracts for the United Nations, World Bank, OECD and the governments of Indonesia, Brazil, Korea and New Zealand. He is also Chairman of the Advisory Board of the Institute for Social Research Swinburne University, Chairman of the Policy and Advocacy Committee of the Academy of Social Sciences and, until March 2010, was an Associate Commissioner for the Productivity Commission Enquiry into the contribution of the not-for-profit sector to Australian society. Past roles have included head of the Australian Bureau of Statistics, Deputy Australian Statistician and Deputy Government Statistician in New Zealand.

Mr Trewin has been awarded an AO for his contribution to Australian and international statistics.



**Mr Anthony (Tony)
Cole AO**
Appointed
16 December 2010
Term expired
30 June 2011

Mr Cole is a senior partner of the global consulting, outsourcing and investment company, Mercer. Over recent years he has led the company's Asia Pacific Investment consulting business and been a member of the Global Investment Consulting Leaders' Group and an Executive Director of Mercer's Australian company. Before joining Mercer in 1996, he was Executive Director of the Life Investment and Superannuation Association of Australia. Mr Cole has also held a number of senior Government appointments including Secretary to the Treasury.

Mr Cole is the Chairman of the Advisory Board of the Melbourne Institute of Applied Economic and Social Research, a member of the Advisory Boards of the Australian Office of Financial Management and of the Northern Territory Treasury Corporation. In 1995 he was awarded an Order of Australia for service to government and industry.

David Irons acted as a trustee in accordance with the PSS Trust Deed and the Instrument of Appointment dated 25 July 2006.

Trustee and trustee committee meetings

ARIA has constituted a Human Resources Committee and Audit and Risk Management Committee and may from time to time constitute other trustee committees.

The Human Resources Committee comprises:

Mr Tony Hyams, Chairman
 Mr Dennis Trewin, Member
 Ms Margaret Gillespie, Member

The Audit and Risk Management Committee comprises:

Ms Winsome Hall, Chairman
 Mr Peter Feltham, Member
 Mr Dennis Trewin, Member

Table 1: Trustee and trustee committee meeting attendance 2010/11

	Trustee meetings (8)		ARM Ctte meetings (5)		HR Ctte meetings (3)	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Tony Cole	3	4	0	0	0	0
Brian Daley	7	8	0	0	0	0
Peter Feltham	8	8	5	5	0	0
Margaret Gillespie	7	8	0	0	3	3
Winsome Hall	8	8	5	5	0	0
Tony Hyams	7	8	0	0	3	3
David Irons	1	1	0	0	0	0
Dennis Trewin	8	8	5	5	3	3

ARIA employees

ARIA employees are responsible for providing advice, for implementing Trustee decisions and for the ongoing management of ARIA's functions and responsibilities. Specifically, ARIA employees are responsible for:

- > advising the Trustee on investment strategy
- > implementing corporate strategies and plans
- > managing the relationships between the Trustee and service providers
- > managing the Trustee's financial affairs for the administration of the CSS, PSS and PSSap
- > ensuring the Trustee meets its responsibilities to maintain correct records
- > coordinating advice from external advisers and overseeing the recommendations which go to the Trustee
- > ensuring compliance with all relevant legislation and law
- > communicating with members and, in particular, preparing and producing annual member statement packs and parliamentary reports
- > giving comprehensive administrative and executive support services to the Trustee.

Trustee resources

Human resources

During 2010/11, ARIA employee numbers decreased from 55 to 52 reflecting timing of changes in personnel.

Employee profile

Table 2: Employee numbers at 30 June 2011

Employment category	Male	Female	Total
Full-time employees	19	25	44
Part-time employees	3	5	8
Total	22	30	52

Performance pay

During 2010/11, ARIA paid a total of \$1,367,770 in performance bonuses to 47 employees. The average performance bonus paid was therefore \$29,101.

Non-salary benefits

ARIA offers its employees a variety of salary packaging benefits. These are individually negotiated and benefits available for packaging include leased motor vehicles, professional membership fees and extra superannuation.

Benefits that employees may include in a salary package are those that attract either no fringe benefits tax (FBT) or a concessional rate of FBT.

Professional development

Ongoing employee training and development is an important part of ARIA's human resource management. In addition, it helps ARIA meet the 'adequacy of resources' requirement of its APRA licence (see page 11).

During 2010/11, ARIA employees participated in a range of continuing professional development activities, including specialised courses in investment, finance and business operations.

Occupational health and safety

Under the *Occupational Health and Safety (Commonwealth Employment) Act 1991* and the *Safety, Rehabilitation and Compensation Act 1988*, ARIA has a general duty of care that it must meet by taking all reasonably practicable steps to protect the health and safety of its employees and third parties at work. Workers' compensation managed by Comcare covers ARIA employees.

During the year there were:

- > no dangerous occurrences under section 68 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*
- > no workplace inspections carried out by Comcare
- > no remedial provisional improvement notices issued.

ARIA's financial management

Financial resources

As Trustee, ARIA is responsible for the management and investment of the Funds of the PSSap, PSS and CSS. ARIA also provides some member administration services for the schemes. Costs incurred in management of the funds are met from the assets of the funds in accordance with the schemes' underlying legislation. Fees paid to the Chairman and a proportion of those paid to the trustees are also met by the funds.

Costs incurred by ARIA in supporting the member administration services of the schemes are met through a user-charging arrangement with employer agencies whereby ARIA receives a per member administration fee. ARIA is a prescribed agency under the *Financial Management and Accountability Act 1997* (FMA Act) and the management of the administration fee monies and any other public monies received by ARIA is carried out in accordance with the requirements of that Act.

Financial performance

Revenue and expenses were within budget for the year and ARIA recorded a surplus of \$0.13m. ARIA's business expenses were \$16.1m, of which \$4.3m was met by the administration fee on employer agencies and extra Government funding to meet merger costs, and \$0.03m was received free of charge. The balance of \$11.9m of expenses was met proportionately from the investment assets of the PSSap, PSS and CSS.

Purchasing

In relation to resources subject to the FMA Act, ARIA complied during the year with the purchasing principles and policies set out in the Commonwealth Procurement Guidelines, in particular the principle of value for money, effected through competitive and non-discriminatory procurement, application of resources efficiently, effectively and ethically, and accountable and transparent decision making.

While investment-related activities are exempt from the mandatory procurement provisions of the Commonwealth Procurement Guidelines, ARIA applies its principles in all aspects of its operations including investment management activities.

Consultants

During 2010/11, ARIA entered into 12 new consultancy contracts (in respect of public monies) involving total actual expenditure of \$253,283. In addition, 9 ongoing consultancy contracts were active during the year, involving total actual expenditure of \$73,903.

Asset management

ARIA's assets, not including the investments and other assets of the funds, were recorded and managed in accordance with ARIA's Chief Executive Instructions.

Ecologically sustainable development and environmental performance

ARIA is a signatory to the UN Principles for Responsible Investment. The Principles aim to act as a framework for global best practice in responsible investment and include commitments to address environmental, social and governance issues in the policies and practices of investors. ARIA is a member of the Investor Group on Climate Change Australia/New Zealand and an investor signatory to the Carbon Disclosure Project. These collaborative industry initiatives address the business and shareholder value implications of climate change.

ARIA is a founding investor in Regnan, which provides governance research and engagement services to ARIA and its other institutional investors and clients. Regnan focuses on a constructive engagement process that aims to reduce portfolio risk exposures, including those relating to environmental risk.

Within its own offices ARIA promotes a culture that requires employees to minimise their impact on the environment. Practices undertaken by ARIA staff include those that reduce paper usage and printing, maximise recycling, minimise energy and water use in the office and reduce travel wherever possible.

In 2010/11 ARIA worked towards reducing the volume of print material distributed to its 490,203 members.

Internal governance

ARIA was established under the *Superannuation Act 1990*. It is accountable to members of the schemes it manages under scheme legislation, the Superannuation Industry Supervision Act and Regulations (SIS) and corporations legislation, and is independent of the Government of the day and any other constituency. Its principal responsibility is to act in good faith, with prudence and in the members' best interests in respect of the administration and investment of the funds.

Trustees are required by SIS to meet a 'fit and proper' standard. This means that they must satisfy both propriety and competency requirements on appointment and thereafter.

In addition to these requirements on individual trustees, ARIA has a Code of Conduct which guides the exercise of its wide range of discretions.

In performing its functions and duties, ARIA:

- > will carry out its duties in good faith, prudently and in accordance with the relevant legislation so that the best interests of members are served
- > will at all times act ethically and impartially.

ARIA's Code of Conduct is set out in full at http://www.aria.gov.au/about/governance/Code_of_conduct.pdf.

In conjunction with the governance principles, ARIA's responsibility for the funds is supported by comprehensive risk management strategies, plans and compliance programs.

Licences

ARIA has both an APRA licence and an Australian Financial Services (AFS) licence (administered by the Australian Securities and Investments Commission).

Risk management

As an APRA licensee, ARIA has a comprehensive risk management program in place. This covers a range of business, operational and governance risks and outlines risk minimisation strategies and controls for all identified risks. All strategies and plans are kept under review by ARIA's Executive Risk Management Committee and its Audit and Risk Management Committee. They are also reviewed annually in conjunction with ARIA's business plan, and updated or amended as required to meet emerging risk or new business requirements.

Compliance

ARIA's compliance program meets AFS licence requirements and underpins ARIA's risk management program. Employees and service providers are required to provide positive certification that they have complied, or details of any non-compliance, with legislative requirements, contractual provisions, regulatory policy and service standards, in addition to licence conditions. This is done regularly – either monthly or quarterly. The Audit and Risk Management Committee oversees compliance reporting, remediation where breaches have occurred and any necessary regulatory reporting. Consistent with ARIA's breach policy, breach reports are required within a timeframe that enables ARIA to make timely regulatory reports, if required.

Fraud control

ARIA has a current fraud risk assessment and fraud control plan prepared in accordance with the Commonwealth Fraud Control Guidelines and effective fraud risk controls are in place. No instances of fraud have arisen during the reporting period.

Certification of fraud measures

I certify that I am satisfied that ARIA has prepared fraud risk assessments and a fraud control plan, and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet its specific needs and comply with the Commonwealth Fraud Control Guidelines.



Peter Carrigy-Ryan
Chief Executive Officer

Internal audit

Each year the Audit and Risk Management Committee agrees on an internal audit plan. It takes into account previously identified risks, the results and recommendations of previous internal and external audits, legislative and regulatory change and any anticipated scheme or business changes. The annual internal audit plan is additional to audits that can be initiated at any time by the Audit and Risk Management Committee or the Trustee Board to address changed business priorities or risk profile.

Outcomes and program structure

Outcome 1: Retirement benefits for past, present and future Australian Government employees through investment and administration of government superannuation funds and schemes.

Table 3: Outcomes and program structure

Key performance indicator	2010/11 target	2010/11 results
Long term nominal investment performance	ARIA has a long term nominal target of at least CPI + 4.5% after tax and fees	Against this core objective, ARIA's seven-year investment performance was 5.8%
Compliance with <i>Superannuation Industry (Supervision) Act 1993</i> , <i>Superannuation Act 1976</i> , <i>Superannuation Act 1990</i> , <i>Superannuation Act 2005</i> and the <i>Corporations Act 2001</i>	ARIA will seek to comply with all relevant scheme and regulatory requirements	ARIA continued to meet its obligations under relevant legislation
Status of Registrable Superannuation Entity (RSE) and Australian Financial Services (AFS) Licence holder	Fulfil ongoing licence obligations as set out by APRA and ASIC	ARIA has an APRA licence and an AFS licence. ARIA breached licensee law because a trustee was not appointed within 90 days of the position becoming vacant
Members', other beneficiaries' and employers' service satisfaction level through ComSuper, as ARIA's delegate, providing services to standards set by ARIA	Implement and monitor industry standard service requirements with ComSuper	Continued overall improvement in delivery of all member services

6

Overview

Overview

Description of
the schemes

SIS compliance

Actuarial review



Overview

Table 4: Overview of the schemes 30 June 2011

	CSS	PSS	PSSap
Established	The CSS was established on 1 July 1976 by the <i>Superannuation Act 1976</i>	The PSS was established on 1 July 1990 by the <i>Superannuation Act 1990</i>	The PSSap was established on 1 July 2005 by the <i>Superannuation Act 2005</i>
Type	Combination of accumulation and defined benefit plans	Defined benefit plan	Accumulation plan
Funds under management as at 30 June 2011	4 587 million+	12 490 million+	2 768 million+
Members* as at 30 June 2011	140 025	240 237	109 941
Employer agencies as at 30 June 2011	232	232	163

*Includes: contributing, preserved, deferred and pension members.

Description of the schemes

CSS

The CSS is a hybrid superannuation scheme, with benefits generally being made up of two components:

- 1. A member-financed component**
This benefit is based on the contributions paid by the member into the fund plus fund earnings.
- 2. An employer-financed component, which includes two parts:** The first part, which in most circumstances is paid as a non-commutable indexed pension out of consolidated revenue, is a defined amount. The amount payable depends on the reason for exit and has regard to several factors including final salary, age and length of contributory membership. The second part of the employer component is

the employer productivity superannuation contribution, which comprises employer contributions and fund earnings.

The CSS closed to new members on 30 June 1990.

PSS

The PSS is a defined benefit superannuation scheme. For contributing members, final benefits are calculated as a multiple of final average salary and an accrued benefit multiple (ABM). A member's ABM depends on the rate at which contributions are made to the PSS and the length of membership. Members may contribute between 0% and 10% of their salary. The employer contribution rate varies with the member contribution rate, subject to multiple of 10.

For preserved benefit members, investment performance has a more direct impact on their final benefit. Member and productivity components increase and decrease with the performance of the fund, while the employer component moves in line with CPI.

Retirement benefits can be paid as lump sums with the option to exchange the lump sum (or part of it) for an indexed pension. The benefits are generally made up of two components:

1. **A member-financed component**
This part comprises the contributions paid by the member into the fund plus fund earnings.
2. **An employer-financed component, which includes two parts:**
The first part comprises the employer productivity superannuation contribution paid by the employer into the fund plus fund earnings.

The second part of the employer component is the 'benefit balance', which is determined at the time the member exits employment from the public service. The amount is the balance after the member and productivity components are deducted from the (defined) total lump sum benefit.

The PSS closed to new members on 30 June 2005.

PSSap

The PSSap is an accumulation plan. This means members and their employers pay money into the fund and ARIA credits investment earnings (positive or negative) to the account after deducting fees, taxes and charges.

Employers are required to make a 15.4% p.a. contribution to the PSSap on behalf of each contributing member.

Additionally, members can make before-tax (salary sacrifice) and after-tax (personal) contributions to the PSSap. The retirement benefit is a lump sum amount and generally consists of the following components:

Table 5: PSSap retirement benefit components

	Employer contributions
+	Any member contributions (before or after tax)
+	Any super co-contributions and transfers from other funds
+	Investment earnings
-	Fees and charges
-	Insurance premiums if applicable
-	Taxes
=	Retirement benefit

SIS compliance

The CSS, PSS and PSSap are complying funds under the *Superannuation Industry (Supervision) Act 1993* and accordingly continue to be eligible to have tax payable on their net income assessed at the concessional rate of 15%.

Actuarial review

The most recent actuarial review of the CSS and PSS was completed by Mercer (Australia) Pty Ltd during 2008/09. The results were included in the PSS and CSS Long Term Cost Report 2008 tabled

in Parliament on 25 May 2009 (a copy of the actuarial review is available at <http://www.finance.gov.au/superannuation/docs/PSS-CSS-TCR-2008.pdf>.)

The PSSap is an accumulation plan and as such the cost to the Government is limited to the contributions made by Australian Government employers and no actuarial review is required.

The results of the 2008 actuarial review and the previous two reviews are summarised below.

Table 6: Results of actuarial reviews

	30 June 2008		30 June 2005		30 June 2002	
	CSS	PSS	CSS	PSS	CSS	PSS
Net assets	\$6.1b	\$11.3b	\$6.0b	\$7.6b	\$5.3b	\$4.5b
Unfunded liability	\$59.2b	\$20.9b	\$50.6b	\$13.8b	\$49.3b	\$9.1b
Notional Commonwealth employer contribution rate (including up to 3% productivity contribution) as a percentage of salaries	21.4%	16.3%	28.2%	15.6%	28.3%	15.4%

The notional employer contribution rates are the employer contribution rates necessary to ensure that employer financed benefits from the CSS and PSS would remain fully funded in three years time, if they were fully funded at the time of the actuarial review.

The Australian Government’s outlay on the CSS and PSS in any year is equal to the total benefit paid to exiting members in that year, less the accumulated balance of member and productivity contributions of those members plus actual productivity superannuation contributions made by the Australian Government to the funds.

The 2008 review provides an actuarial projection of the Australian Government’s estimated costs for the CSS and PSS over 40 years to 30 June 2048 (adjusted to 2008 dollars using a discount rate of 6%). Table 7 shows the projections for the first three years, to 30 June 2012.

Table 7: Actuarial projections

Year ending 30 June	Estimated Australian Government costs	
	PSS	CSS
2010	\$521m	\$2 969m
2011	\$528m	\$2 909m
2012	\$530m	\$2 841m

Further projections of estimated costs are included in the PSS and CSS Long Term Cost Report 2008.

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Investments

- Investment structure
- Investment arrangements
- Custodian services
- Investment managers
- Investment objectives
- Events during the year
- Fund performance
- Investment information
- Allocating earnings
- ARIA's approach to corporate governance



Investment structure

The CSS fund, the PSS fund and the PSSap fund are invested jointly. This gives economies of scale, thereby reducing the cost of managing the funds. The CSS fund, PSS fund and the PSSap fund investment options are divided into asset classes. Professional investment managers manage the funds within each asset class.

Each of the funds' investment options tap into the same asset class pool, thereby achieving the same asset class performance and having their investments managed by the same investment managers.

Investment arrangements

ARIA's investment team gives investment advice, implements and manages Trustee investment decisions and monitors, reviews and reports on investment performance.

ARIA retains Macquarie Investment Management Ltd for advice on Australian and Asian private equity, Altius Associates for advice on international private equity, Albourne Partners Ltd for hedge fund advice and Franklin Templeton Real Estate Advisers for international property advice.

Custodian services

The master custodian for the three funds is JPMorgan, whose custodial function includes:

- > settling trades
- > physical custody and safekeeping of securities
- > collecting dividends, preparing accounts and disbursing dividends

- > receiving all monies available for investment from the scheme administrator and allocating them on the instruction of the investment team to investment managers in accordance with the mandates set by ARIA
- > holding (but not owning) the assets that comprise the funds
- > unit pricing
- > maintaining consolidated accounts and tax records for the fund
- > reporting to ARIA on individual fund manager and aggregated investment returns.

Investment managers

Under its legislation, ARIA is required to invest through investment managers. ARIA appoints investment managers who specialise in investing in particular asset classes. ARIA provides investment guidelines and direction to each of its investment managers.

Investment managers are paid a fee that is generally based on the value of assets that they manage for ARIA. The fee reflects the investment costs applicable to each particular asset class sector and the investment style (for example, passive or active) employed by each manager. In addition, some managers are paid a performance fee for exceeding a pre-determined benchmark or hurdle rate of return, within pre-specified risk limits, which is generally a share of any excess risk-adjusted performance above that agreed benchmark.

Table 8: Investment managers 2010/11

452 Capital Pty Limited
Alleron Investment Management Limited
AMP Capital Investors Limited
Anchorage Capital Offshore Fund Limited
Arcadia Funds Management Limited
Aurora Investment Management LLC
Balanced Equity Management Pty Limited
BlackRock Financial Management
Bridgewater Associates, Inc
Colchester Global Investors Limited
Colonial First State Property Limited
Concord Capital Limited
Dexus Property Group Limited
Eureka Funds Management Limited
GMO Australia Limited
Graham Global Investment Fund Limited
Gross Global Investors Limited
Holowesko Partners Limited
Integrity Investment Management Limited
JCP Investment Partners Limited
Lend Lease Real Estate Investments Limited
Loomis Sayles & Company LP
Luxor Capital Partners Offshore Limited
Macquarie Investment Management Limited
Marathon Asset Management Limited
Marvin & Palmer Associates Inc
Northward Capital Investment Management Limited
Orbis Investment Management Limited
Paradice Investment Management Limited
Pharo Macro Fund Limited
PIMCO Australia Pty. Ltd.
Platinum Asset Management

Rogge Global Partners PLC
Schroder Investment Management Australia Limited
Solaris Investment Management Limited
State Street Global Advisors Limited
Steadfast International Limited
Stone Harbor International Partners LP
Vanguard Investments Australia Limited
Wellington International Management Company Pte Limited
Winton Futures Fund Limited

Investment objectives

CSS Default Fund

With the accumulation component of members' total benefit tied to the investment performance of the fund, ARIA is focused on achieving competitive returns over the long term. This is explicitly recognised in the fund's objective, which focuses on long-term real returns in an attempt to ensure that the real wealth of members increases over time.

The fund's investment objectives specify the target or acceptable levels of portfolio risk and return. ARIA expects to achieve an average real return of 4.5% per annum after tax and fees over the longer-term. Consistent with the mid-point of the Reserve Bank's inflation target range of 2% to 3%, this equates to an average nominal return of at least 7% per annum over the long term.

In developing an investment strategy to achieve this objective and recognising that the average person might have a working life of around 30 years, ARIA has adopted the following constraint in order to manage risk: on average, nominal fund returns are expected to be positive in 24 years out of 30.

This constraint defines the ‘tolerable’ level of risk for the fund. Furthermore, for prudential reasons, the fund’s investments in illiquid assets will be limited to an average of around 25%.

PSS Default Fund

The total benefit payable to members is set by the governing legislation and rules of the PSS. It does not depend on the earning rate of the fund, except for preserved benefit members where investment performance has a more direct impact on the level of final benefits. The difference between the total benefit payable to a member and the accumulated member and productivity contributions (including fund earnings) invested in the fund is paid from consolidated revenue. The call on consolidated revenue will depend upon the investment performance of the fund. The better the investment performance of the fund, the smaller the call on consolidated revenue. In these circumstances, it is the employer who bears the investment risk arising from the investment of the fund.

The fund has a long-term perspective, but managing risk is also imperative. The fund’s investment objectives specify the target, or acceptable, levels of both portfolio risk and return. They are distilled from the characteristics of the scheme, including benefit design, crediting rate policy and liability position.

ARIA expects to achieve an average real return of 4.5% per annum after tax and fees over the longer-term. Consistent with the mid-point of the Reserve Bank’s inflation target range of 2% to 3%, this equates to an average nominal return of at least 7% per annum over the long term.

In developing an investment strategy to achieve this objective, and recognising that the average person might have a working life of around 30 years, ARIA has adopted the following constraint in order to manage risk: on average, nominal fund returns are expected to be positive in 24 years out of 30.

This constraint defines the ‘tolerable’ level of risk assumed by the fund’s investments. Furthermore, for prudential reasons, the fund’s investments in illiquid assets, will be limited to an average of around 25%.

PSS and CSS Cash Investment Option

All CSS members and PSS preserved benefit members may choose to have the taxed components of their accounts (that is, their member and productivity components) invested in a Cash Investment Option.

The key investment objective is, before the payment of tax, to match the return from the UBS Australian Bank Bill Index.

PSSap investment options

PSSap members' total benefits are tied to the investment performance of the investment option(s) within the PSSap fund. Therefore, achieving a good return over the long-term is vital. This is explicitly recognised in the objectives that ARIA has set for the PSSap investment options, which is to maximise the long-term real return of the options within acceptable risk parameters.

Trustee Choice (default option)

The key investment objective is to outperform the Consumer Price Index (CPI) by 4.5% per annum over the medium to long-term.

Conservative

The key investment objective is to outperform the Consumer Price Index (CPI) by 3% per annum over the medium to long-term.

Balanced

The key investment objective is to outperform the Consumer Price Index (CPI) by 4% per annum over the medium to long-term.

Aggressive

The key investment objective is to outperform the Consumer Price Index (CPI) by 5% per annum over the medium to long-term.

Government bonds (previously fixed interest)

The key investment objective is, before the payment of tax, to at least match the performance of the Barclays Global Treasury GDP Weighted by Country Index.

Australian shares

The key investment objective is, before the payment of tax, to at least match the performance of the ASX 300 Accumulation Index.

International shares (unhedged)

The key investment objective is, before the payment of tax, to at least match the return of the unhedged MSCI World ex Australia Index.

International shares

The key investment objective is, before the payment of tax, to at least match the return of the MSCI World ex Australia Index with a hedging ratio determined by the Trustee.

Property

The key investment objective is, before the payment of tax, to outperform the Consumer Price Index (CPI) by 5% per annum over the medium to long-term.

Sustainable

The key investment objective is, before the payment of tax, to at least match the performance of the ASX 200 Accumulation Index.

Cash

The key investment objective is, before the payment of tax, to match the return from the UBS Australian Bank Bill Index.

Asset allocation

The following tables set out the actual asset allocation for the CSS and PSS default funds as at 30 June 2011.

Table 9: CSS Default Fund asset allocation

Asset class	Actual asset allocation	
	2010	2011
Australian equity	27.1	26.5
International equity	27.6	28.6
Long/short equity funds	2.2	1.9
Real Assets	14.3	12.8
Alternatives	11.8	13.8
Fixed Income	11.8	11.5
Cash	5.2	4.9
Total fund	100.0	100.0

Table 10: PSS Default Fund asset allocation

Asset class	Actual asset allocation	
	2010	2011
Australian equity	27.2	26.5
International equity	27.6	28.7
Long/short equity funds	2.2	1.9
Real Assets	14.3	12.8
Alternatives	12.0	13.8
Fixed Income	11.9	11.5
Cash	4.8	4.8
Total fund	100.0	100.0

The following table sets out the actual asset allocation for the PSSap diversified, pre-mixed investment options as at 30 June 2011.

Table 11: PSSap pre-mixed investment options asset allocation (Hard Close)

Asset class	Trustee Choice		Conservative		Balanced		Aggressive	
	2010	2011	2010	2011	2010	2011	2010	2011
Australian equity	27.1	26.5	11.7	12.2	15.3	15.8	36.9	37.5
International equity	27.6	28.7	8.9	9.2	14.3	14.8	30.7	31.1
Long/short equity funds	2.2	1.9	-	-	3.9	4.1	-	-
Real Assets	14.3	12.8	6.0	6.0	12.1	12.0	15.2	14.8
Alternatives	12.0	13.8	-	-	20.2	19.7	8.1	7.8
Fixed Income	11.9	11.5	43.3	42.7	24.2	23.7	6.1	5.9
Cash	4.9	4.8	30.1	29.9	10.0	9.9	3.0	2.9
Total fund	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Events during the year

Some of the key investment related events for 2010/11 are described below.

Australian equities

The portfolio was reconfigured upon the termination of an investment manager arising from the departure of that manager's key staff and the subsequent closure of their operations. This portfolio reconfiguration culminated in the termination of two additional investment managers, the reweighting of the five remaining incumbent managers and the appointment of a new investment manager. Over the year, the number of investment managers making up the actively-managed portfolio declined from eight to six, with two of those six managers investing in mutually exclusive parts of the market as defined by market capitalisation (50 Leaders versus ex-50 Leaders). In addition, late in the year a cost-effective passively-managed mandate was introduced into the portfolio.

International equities

An active global investment manager was terminated early in the year, with funds being reallocated to an existing passively-managed large cap mandate. Other portfolio changes throughout the year were largely confined to flows to and/or from the passively-managed portfolio, associated with maintaining Fund asset allocation targets. The portfolio now comprises three active global managers and one country-specific active manager, together with two passive managers with separate large cap and broad cap mandates. The foreign currency hedging policy was revised during the year from a strategic hedging range of 40-75% to a range of

0-100%. At the end of the 2010/11 financial year, 30% of the Fund's developed market foreign currency exposure was hedged back into Australian dollars, down from 60% one year earlier.

Emerging market equities

The two-manager line-up did not change during the year, comprising separate actively-managed and passively-managed regional portfolios (Asia and Global ex-Asia respectively). Portfolio changes throughout the year were confined to flows to both managers reflecting Fund asset allocation changes. The foreign currencies held in the emerging market portfolio remain fully unhedged.

Private capital investments

The fund's exposure to private capital investments increased during the year, reflecting commitments of \$A 236m to new Australian and international private equity funds.

Some of the funds previously committed to private equity and opportunistic property were drawn down during the year, while some investments were realised and the proceeds returned. The net result of these flows was that the net asset value of these investments increased from \$A 1,225.4m at the start of the year to \$A 1,592.7m at 30 June 2011.

Market neutral funds

Consistent with the strategic direction of ARIA's portfolio, seven new market neutral managers were appointed, providing exposure to the following strategies: directional, equity long short, event driven and credit long short. Investments with a multi-strategy investment fund were redeemed during the year.

Long/short equity funds

The portfolio comprised a single global manager throughout the year. This investment was redeemed as at the close of the financial year, with the proceeds transitioned to a sub-portfolio within the Fund's international equities exposure for future deployment.

Global investment grade credit

The annual portfolio review resulted in the global investment-grade credit benchmark being changed from the Barclays Global Aggregate ex Treasuries ex Government Related Index hedged into Australian dollars, to the Barclays Global Aggregate ex Treasuries ex Government Related ex US MBS index hedged into Australian dollars. A rebalancing of manager weights amongst the three incumbent active investment managers was also implemented, to better reflect our level of conviction in each manager's ability to generate positive excess returns, market conditions and manager suitability to those conditions.

Global government bonds

The inflation-linked global government bonds sector remains passively managed. The passive nominal global government bonds mandate was terminated during the year, and replaced with two active manager mandates. One of these is with a nominal developed market government bonds manager and another with a nominal emerging market government bonds manager.

Australian bank term deposits are incorporated as authorised investments within the Cash portfolio to take advantage of higher interest rates offered relative to that of bank bills.

Property

A new direct property acquisition mandate was awarded to an existing investment manager during the period. The first acquisition under this mandate was completed in February 2011, being the purchase of 55 Clarence Street, Sydney, an office building located in the north-western corridor of the Sydney CBD.

Development consent was received for the proposed major redevelopment of the fund's directly-owned retail asset, Indooroopilly Shopping Centre. Development planning is ongoing.

Redemption proceeds totalling \$364 million were received during the year from an indirect property fund investment, representing full exit from this investment.

Fund performance

CSS and PSS Default Funds

In the 2010/11 financial year, the CSS Default Fund posted a net return of 7.3% and the PSS Default Fund posted a net return of 7.2%.

After achieving strong gains in 2009/10, Default Fund performance remained solid in 2010/11. Most of the Funds' returns were achieved in the first half of the year, with second half performance constrained by a slowdown in developed market economic growth and an escalation of the European debt crisis. Australian listed equities finished the year with a return of just under 12%, with returns buoyed by strong rises in materials, industrials and utilities stocks. International equities rose over 14% in hedged terms, but by only a little under 3% in unhedged terms. Unhedged returns were very negatively impacted by the translation effect of a strong rise in the value of the Australian dollar.

Other asset class performance was generally robust. Global inflation-linked government bonds achieved a return of over 11% as investors sought to protect themselves from higher rates of inflation, while global investment grade credit advanced by just under 8%. Global nominal government bonds and market neutral funds advanced by around 5%, which was in line with the return from cash.

The CSS Default Fund achieved an average net return (after fees and tax) of 0.1% per annum in the three years to 30 June 2011. This compared with a five-year average net return of 2.8% per annum and seven year average net return of 5.8% per annum. The fund is a little below its target return objective over the seven year period to June 2011.

The PSS Default Fund achieved an average net return (after fees and tax) of 0.1% per annum in the three-years to 30 June 2011. This compared with a five-year average net return of 3.0% per annum and seven-year average net return of 5.8% per annum.

CSS and PSS Cash Investment Options

The CSS Cash Investment Option posted a net return of 4.2% and the PSS Cash Investment Option posted a net return of 4.3% for the year ending 30 June 2011. This is in line with their target net return objectives once the impact of tax on returns is taken into account.

PSSap investment options

Over the financial year to 30 June 2011, the PSSap default fund (Trustee Choice) advanced by a solid 7.1%, as strong financial market performance was tempered by the constraining impact of a slowdown in developed market economic growth and an escalation of the European debt crisis in the second half of the year. The other three pre-mixed, diversified options also produced solid returns in 2010/11. The Aggressive option recorded a net return of 7.7%, reflecting a higher exposure to listed global equity markets. The Balanced and Conservative options achieved net returns of 6.6% and 6.4%, respectively.

Single asset class option performance in 2010/11 also generally reflected the solid results generated by financial markets. Strong positive returns were recorded by the Australian Shares, Sustainable and International Shares options, while the returns from the Property and Government bonds option were more subdued.

In the six years since inception, the highest single asset class option return was achieved by the Property option, which rose by 8.1% per annum.

Performance by asset class

Performance figures in the following single asset classes are before tax, but after fees.

Australian equities

The Australian equity market, defined by the S&P/ASX 300 Accumulation Index, rose by 11.9% in 2010/11, although all of the increase came in the first half of the financial year. The market's strength in 2010/11 was due to gains of 20% in materials, 16% in industrials, and 15% in utilities stocks. At the other end of the spectrum, information technology stocks fell by 14%, while telecom and consumer discretionary stocks recorded very small declines. ARIA's actively managed portfolio underperformed the S&P/ASX 300 Accumulation Index by 1.8% during the year to deliver a total net return of 10.1%.

International equities

International equity markets experienced a strong year, with developed world equity markets rising by 14.5% in hedged terms. Again, the majority of the increase came in the first half of the year. A strong rise in the value of the Australian dollar, particularly against the US dollar and Yen, meant that investors who did not hedge their foreign currency exposures experienced a developed world equity market return of just 2.7%. ARIA's portfolio underperformed its benchmark indices by 1.3% during the year. ARIA has a structurally higher-than-average allocation to emerging market equities, which underperformed their developed market counterparts over the shorter one year period.

Corporate debt markets

Over the last year, global investment grade credit markets rose by almost 8%. This strong return was assisted by sound corporate

balance sheets and healthy investor appetite for corporate bonds. Within this environment, ARIA's portfolio outperformed its benchmark index by 1.0%.

Government bonds and cash

Government bond markets had a solid year, which was highlighted by investors attempting to come to terms with oscillations in global economic growth rates and inflationary expectations. Global inflation linked government bonds returned a very strong 11.4%, as investors sought to protect themselves from possible increases in global inflation. Meanwhile, global nominal government bonds returned a more subdued 5.4%, reflecting investor concerns over a possible pick-up in inflation, which hurts the value of nominal bonds. There was just one increase in the level of Australia's short term interest rates, from 4.5% to 4.75%. In this environment cash recorded a return of 5%.

Market neutral funds

The year provided a more challenging environment for market neutral strategies. ARIA's portfolio performed in line with its benchmark index, thus translating into a total return of around 4%.

Long/short equity funds

The objective of this asset class is to match the return from international equities in the long run, but with a lower level of return volatility. This sector generally underperforms through strong bull markets in listed equities, but outperforms through down markets. Typical of this style, the long/short equity funds sector underperformed the strong performance in listed international equities in 2010/11 but still returned a positive contribution to absolute performance.

Table 12: CSS Default Fund investments 2010/11

	Holdings at 30 June 2010 \$m	Holdings at 30 June 2011 \$m	Proportion at 30 June 2011 %
Total fund investments	4 503.1	4 341.7	100.0
Australian equity	1 222.6	1 156.3	26.5
International equity	1 243.1	1 248.4	28.6
Long/short equity funds	100.2	82.7	1.9
Real Assets	642.4	557.4	12.8
Alternatives	531.1	602.8	13.8
Fixed Income	531.5	504.5	11.5
Cash	233.9	212.8	4.9

Note: Total fund investments is after tax and fees.

Note: Sectors are before tax and after fees.

Table 13: CSS Default Fund performance 2010/11

	One-year performance	Three-year performance	Five-year performance	Seven-year performance
	%	%	%	%
Total fund performance	7.3	0.1	2.8	5.8
Australian shares	10.1	1.2	2.5	8.4
International shares	13.3	-7.3	-2.3	2.6
Emerging market shares	-1.9	-	-	-
Australian private equity	3.2	-0.3	2.8	5.5
International private equity	8.1	-4.9	3.3	7.9
Long/short equity funds	6.8	-4.3	0.3	-
Objective based funds	16.4	-	-	-
Market neutral fund	3.8	2.0	5.0	6.0
Property	8.4	2.8	6.7	8.9
Investment grade bonds	8.6	8.9	6.9	7.0
Index-linked bonds	10.8	-	-	-
Government bonds	2.3	-	-	-
Opportunistic credit	6.7	-	-	-
Cash	5.2	4.9	5.7	5.4

Note: Total fund performance is after tax and fees.

Note: Sectors are before tax and after fees.

Table 14: CSS Cash Investment Option Fund performance 2010/11

	Holdings at 30 June 2010 \$m	Holdings at 30 June 2011 \$m	One-year performance %	Three-year performance %
Total fund	254.0	245.7	4.2	4.0

Note: Holdings and performance are after tax and fees.

Table 15: PSS Default Fund investments 2010/11

	Holdings at 30 June 2010 \$m	Holdings at 30 June 2011 \$m	Proportion at 30 June 2011 %
Total fund investments	11 353.7	12 463.5	100.0
Note: Total fund investments is after tax and fees			
Australian equity	3 067.9	3 304.8	26.5
International equity	3 122.3	3 577.0	28.7
Long/short equity funds	251.6	236.4	1.9
Real assets	1 611.2	1 592.9	12.8
Alternatives	1 354.5	1 722.8	13.8
Fixed income	1 348.3	1 441.8	11.5
Cash	547.9	599.2	4.8

Note: Sectors are before tax and after fees.

Table 16: PSS Default Fund performance 2010/11

	One-year performance	Three-year performance	Five-year performance	Seven-year performance
	%	%	%	%
Total fund performance	7.2	0.1	3.0	5.8
Note: Total fund performance is after tax and fees.				
Australian shares	10.1	1.2	2.5	8.2
International shares	13.3	-7.3	-2.2	2.6
Emerging market shares	-1.9	-	-	-
Australian private equity	3.2	-0.3	3.0	6.1
International private equity	8.1	-4.9	4.6	9.1
Long/short equity funds	6.8	-4.3	0.3	-
Objective based funds	16.4	-	-	-
Market neutral fund	3.8	2.0	5.1	6.1
Property	8.4	2.8	6.7	8.8
Investment grade bonds	8.6	8.9	6.9	7.0
Index-linked bonds	10.8	-	-	-
Government bonds	2.3	-	-	-
Opportunistic credit	6.7	-	-	-
Cash	5.2	4.9	5.7	5.7

Note: Sectors are before tax and after fees.

Table 17: PSS Cash Investment Option Fund performance 2010/11

	Holdings at 30 June 2010 \$m	Holdings at 30 June 2011 \$m	One-year performance %	Three-year performance %
Total fund	29.0	27.1	4.3	4.0

Note: Holdings and performance are after tax and fees.

Table 18: PSSap performance 2010/11

Investment option	Holdings June 2010 \$m	Holdings June 2011 \$m	One-year performance %	Three-year performance %	Five-year performance %
Conservative	12.1	18.4	6.4	3.3	3.9
Balanced (50/50)	18.4	29.8	6.6	2.1	3.7
Trustee Choice	1 770.7	2 515.0	7.1	0.2	2.8
Aggressive	53.8	74.7	7.7	-0.2	2.5
Cash	39.2	46.7	4.2	4.0	4.6
Government bonds (previously Bonds/fixed interest)	4.9	6.6	2.3	2.4	2.6
Australian shares	30.1	44.9	10.3	2.1	2.8
International shares (unhedged)	1.9	3.5	2.3	-4.2	-3.5
International shares	3.4	5.2	9.3	-5.5	-1.6
Property	9.0	13.6	7.4	2.4	6.7
Sustainable	6.8	9.9	8.0	-0.2	1.6

Note: Holdings and performance are after tax and fees.

Investment information

Further information on investment performance is available from:

Web	www.aria.gov.au
Postal address	ARIA GPO Box 1907 Canberra City ACT 2601
Phone	02 6263 6999
Fax	02 6263 6900
Email	secretary@aria.gov.au

Allocating earnings

ARIA's earnings rate policy (effective on and from 28 June 2007) is summarised below.

CSS and PSS

The applicable earnings rate for the last day of a calendar month is used to apply earnings to member accounts for that month, other than for transactions to and from the member accounts recorded during that month, which are processed using the rate that applies on the date of the transaction.

Processing transactions to member accounts

Transactions will be processed from and to member accounts after validation, in accordance with the scheme rules and the terms of the agreement between the administrator and ARIA.

Preserved and associate members with account balances in the CSS and PSS funds greater than \$1,000 may switch the entire balance of their account between the Default Fund and Cash Investment Option twice yearly. The cut-off for these switch transactions is the last Friday of a month with the transaction processed once per month on the following Wednesday.

PSSap

Members' interests in the PSSap are valued in units. Contributions and other amounts transferred to the PSSap are used to buy units which are invested in accordance with members' investment choices. There are 11 investment options to choose from.

The fund's net earnings are allocated to members' accounts through changes in the unit price which fluctuate in line with investment markets. The unit price for an investment option reflects the total value of assets in the investment option (net of taxes and expenses) divided by the number of units issued in the investment option.

A buy/sell spread is applied to all the investment options to reflect the costs associated with the purchase or sale of assets. Calculation of the value of assets in each investment option is based on the latest available market value at the end of each business day and published daily on the fund's website at www.pssap.gov.au. Where fees are payable directly from a member's account (for example, insurance premiums and switching fees), units are sold to the extent required for payment.

ARIA's approach to corporate governance

ARIA's approach to investment governance reflects the framework laid out by the United Nations Principles for Responsible Investment.

ARIA believes it has a responsibility to ensure that funds are not exposed to undue risk because of poor corporate governance behaviour. Therefore ARIA actively pursues principles of good governance in its own operations, and seeks them in service providers and in the companies in which it invests.

ARIA considers corporate governance to be an important element of risk management. It recognises that poor environmental, social and corporate governance (ESG) can lead to a decline in investment value. ARIA undertakes a number of initiatives and practices in relation to managing risk in its investments, including:

- > the casting of proxy votes in the Australian and international companies in which it invests
- > publicly communicating its ESG policy and practices
- > governance research and engagement through Regnan.

Proxy voting

In keeping with its belief in the value of good governance, ARIA exercises its right to cast proxy votes in the companies in which it invests.

This activity underscores ARIA's commitment to ensuring long term shareholder value for members.

It also sends a clear signal to companies that as a shareholder, ARIA will vote on company resolutions in the best interests of its members.

Regnan – Governance Research and Engagement Pty Limited

Regnan was established to protect and enhance shareholder value for members by identifying environmental, social and corporate governance risks in present and future investments, to actively communicate those risks to relevant stakeholders and engage directly with companies as required.

The boards appointed the service to actively research governance risk in the fund's Australian equities investments and make recommendations on how constructive engagement might reduce such risks. ARIA's Australian equity investments represent funds under management of around \$4.7 billion.

Regnan is Australia's only investment risk management service to focus on an engagement service to meet the oversight needs of institutional investors. It addresses portfolio exposure to environmental, social and governance risks by directly engaging with companies and performing specialist research and analysis. Regnan's research universe includes all companies in the S&P/ASX200.

ARIA's ESG and Proxy Voting Policies are published on the member website. Reports on the implementation of these policies, including progress against the UNPRI, are also available on the website.

The United Nations Principles for Responsible Investment

ARIA became an asset owner signatory to the United Nations Principles for Responsible Investment (UNPRI) in December 2006 and is actively committed to aligning investment activities with the Principles in the best long-term interests of the beneficiaries of schemes administered by ARIA. ARIA acts in the belief that application of the Principles is expected to lead to better long-term financial returns and a closer alignment between the objectives of institutional investors and those of society at large.

The six UNPRI are:

- > **PRI1.** We will incorporate ESG issues into investment analysis and decision-making processes.
- > **PRI2.** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- > **PRI3.** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- > **PRI4.** We will promote acceptance and implementation of the Principles within the investment industry.
- > **PRI5.** We will work together to enhance our effectiveness in implementing the Principles.
- > **PRI6.** We will each report on our activities and progress towards implementing the Principles.

8

Scheme administration

Membership data

Member communication
and services

Scheme administrator



Membership data

Table 19: Membership summary 30 June 2011

		Contributors	Preserved /deferred benefit members	Pensioners	Total membership 09/10*	Total membership 10/11*	Total change	% change
CSS	Male	10 264	6 481	64 487	143 443	140 025	(-3 418)	(-2.38)
	Female	5 652	2 629	50 512				
	Total	15 916	9 110	114 999				
PSS	Male	47 638	42 043	11 488	246 262	240 237	(-6 025)	(-2.45)
	Female	65 586	61 049	12 433				
	Total	113 224	103 092	23 921				
PSSap	Male	32 773	12 692	N/A	97 844	109 941	12 097	12.36
	Female	43 921	20 555					
	Total	76 694	33 247					
Total		205 834	145 449	138 920	487 549	490 203	2 654	0.54

Note: CSS pensioners include 1922 Act scheme members.

* Total membership also includes child/student pensions which are not split by gender.

Table 20: Member and employer contributions received 2009/10 – 2010/11

	2009/10			2010/11			Difference	% change
	Member*	Employer*	Total*	Member*	Employer*	Total*		
CSS	\$103m	\$37m	\$140m	\$96m	\$35m	\$131m	(\$9m)	(6.43)
PSS	\$550m	\$223m	\$773m	\$571m	\$225m	\$796m	\$23m	2.98
PSSap	\$11m	\$597m	\$608m	\$12m	\$706m	\$718m	\$110m	18.09
Total*	\$664m	\$857m	\$1 521m	\$679m	\$966m	\$1 645m	\$124m	8.15

Note: The dollar amounts have been rounded up from the first decimal place.

* These figures do not include transfers in, co-contributions or any appropriations from the CRF.

Chart 1: Membership by type 2010/11

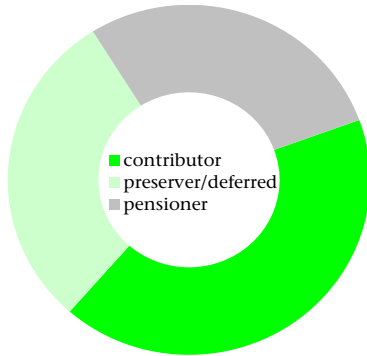


Chart 2: Membership by scheme 2010/11

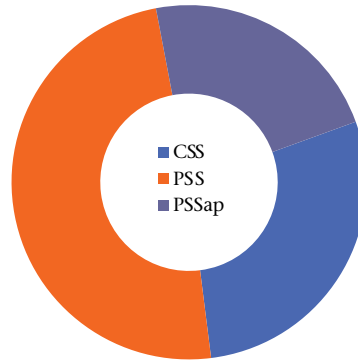


Chart 3: Membership trend by type

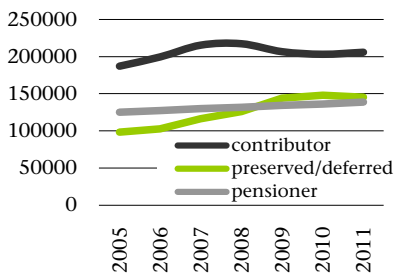


Chart 4: Membership trend by scheme

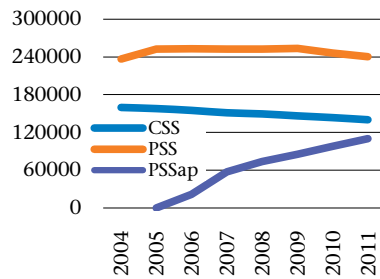
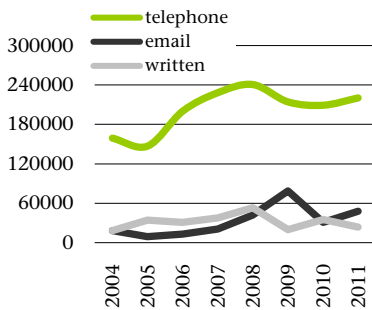


Chart 5: Membership enquiries trend



Note: The figures in Chart 5 are based on the total membership enquiries received.

Member communication and services

ARIA aims to give members information, education and advice to help them make the right super decisions. ARIA does this by giving members clear, concise and tailored communications throughout the year and works with the scheme administrator to deliver websites, contact centres and comprehensive employer support.

At Work for You workshops

ARIA's member education program, At Work for You, continued to be a valuable tool for members. The At Work for You workshops aim to empower members and increase their super confidence through in-house and public workshops.

In 2010/11, ARIA held workshops at 12 locations around Australia. There were 181 At Work for You workshops throughout the year with approximately 7,000 members attending a workshop. ARIA also tailors At Work for You workshops for employers to help in times of restructure and redundancies.

Websites and targeted campaigns

ARIA's websites and targeted campaigns are another way that ARIA helps members to improve their super knowledge and confidence. The scheme websites have a range of online tools and members can find information specific to their super. ARIA conducts research with its members to identify areas of improvement for its online services.

Customer Information Centre

On 9 August 2010, ComSuper, the scheme administrator, merged the previously separate CSS/PSS, PSSap and Military contact centres to form one Customer Information Centre (CIC) to align processes and improve service standards for all scheme members. The CIC continues to offer the following services:

- > information about a member's superannuation account or pension
- > updating member and pensioner contact information and financial institution details
- > sending written benefit estimates to members and their representatives (such as financial advisors) when members are considering exiting the scheme.

Throughout 2010-11, the CIC built on the improvements of the merger including ongoing improvements to the telephone system, such as:

- > call recording, implemented in October 2010, for quality assurance and training
- > skills based routing, implemented in October 2010, to route members' calls to the most appropriately skilled customer information representative
- > automatic call back, implemented in November 2010, allowing members to hold their place in the queue without waiting on the phone.

For PSS and CSS members and pensioners, the CIC received over 174,079 calls, responded to 16,598 emails and 22,243 items of written correspondence.

For PSSap members, the CIC received a total of 46,069 calls, responded to 9,185 emails and 2,386 items of written correspondence in 2010/11.

Employer support

Employers play an important part in delivering member services. The scheme administrator works closely with 214 participating employers for the CSS, PSS and PSSap. They have seen a significant increase in employer engagement, through their relationship managers, who provide assistance to agencies providing data. Over 8,800 phone calls, 7,202 email and 6,636 written queries were received, which included responding to complex legislative enquiries.

Scheme administrator

ComSuper has a statutory mandate to administer the CSS, PSS and PSSap schemes as ARIA’s delegate.

ComSuper’s main responsibilities are:

- > receiving and accounting for contributions from employer agencies for their employees
- > maintaining records of contributors, preservers and pensioners
- > calculating and paying benefits (including invalidity benefits)
- > reconsidering and reviewing decisions on entitlements under delegation from ARIA
- > providing information to members.

Administrator’s performance

Performance standards are set out in the Service Level Agreement between ARIA and ComSuper.

ComSuper provides weekly and monthly reports against the standards in the Service Level Agreement.

ARIA continually reviews ComSuper’s service delivery, including an assessment of its performance against the Service Level Agreement standards.

Benefit payments

During 2010/11, the scheme administrator processed 13 818 PSS and CSS benefit applications, which is relatively low in historical terms. This number represents a 16% decrease on the number processed in 2009/10, indicating the number of scheme members ceasing APS employment is remaining relatively steady.

During 2010/11, 4482 PSSap benefits were processed, which was an increase of 36% compared to 2009/10. There were 204 PSSap members who chose to transfer their monies out of the fund during 2010-11, a 40% increase compared to 2009-10.

Chart 6: Benefit payments by type 2010/11

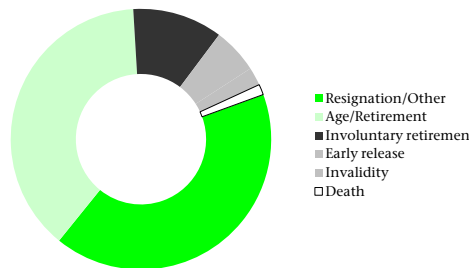


Table 21: Total number of benefit payments (by type) 2010/11

	Age/ retirement	Involuntary retirement	Invalidity	Death	Resignation/ other	Early release	Total 10/11
Contributor exits	725	565	65	22	764	8	2 149
Preserved claims	1 797	9	13	11	20	5	1 855
CSS total	2 522	574	78	33	784	13	4 004
Contributor exits	2 062	1 441	271	86	3 475	202	7 537
Preserved claims	1 487	29	36	61	50	614	2 277
PSS total	3 549	1 470	307	147	3 525	816	9 814
PSSap total	928	0	30	59	3261	204	4 482
Total	6 999	2 044	415	239	7 570	1 033	18 300

Note: These figures reflect benefits processing and not cases where a member has necessarily taken out all of their funds.

Pensions

Table 22: Pensions summary

Pensions in force at 30 June 2011						Pensions paid \$	Weighted average yearly pension* \$
	Age retirement/ involuntary retirement	Invalidity retirement	Spouse	child/ other	Total		
CSS	72 286	14 796	28 313	55	115 450	3 486m	29 847
PSS	20 340	2 595	910	86	23 931	515m	21 584
Total	92 626	17 391	29 223	141	139 381	4 001m	28 428

Note: CSS pensioners include 1922 Act scheme members.

The PSSap does not offer a pension product.

* The weighted average yearly pension takes into account the proportion of the year that a member was a pensioner.

Chart 7: Pensioner population trend

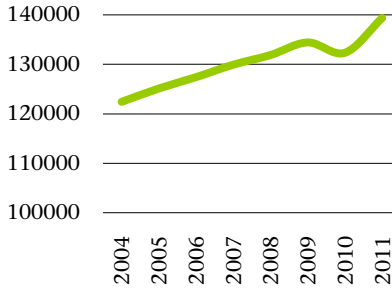
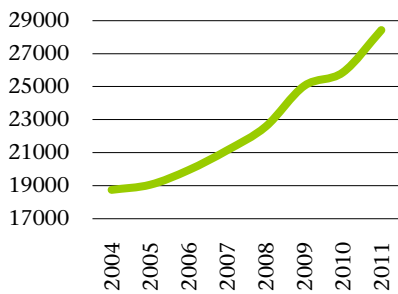


Chart 8: Average pension trend



Note: The PSSap does not offer a pension product.

Dispute resolution

Decisions of ARIA and its delegates are subject to both internal review (the reconsideration process) and external review. As required under legislation, a formal complaints process is also in place.

Internal review – reconsiderations

A person affected by a decision of ARIA or a delegate may apply in writing to have it reconsidered. The scheme administrator, ComSuper, investigates requests and prepares cases and puts them before the Reconsideration Advisory Committee (RAC). The role of the RAC is to make recommendations to ARIA concerning requests for reconsideration. The RAC may make a recommendation to affirm or vary the decision, substitute another decision or set the decision aside.

Each applicant receives a written statement of the reasons for ARIA’s decision.

The RAC comprises four members (two independent and two scheme administrator representatives). It has a quorum of three members, one of whom must be an independent member.

The committee currently comprises:

- > Ms Elizabeth d’Abbs and Mr Stevan Matheson, as the independent members; and
- > any two of four nominated scheme administrator representatives.

In 2010/11, 46 applications for reconsideration for the PSSap, PSS and CSS schemes were received, compared with 32 for the 2009/10 financial year.

There were 36 PSSap, PSS and CSS cases finalised during the year, compared with 41 for the previous year. Nine requests lapsed or were withdrawn without proceeding to reconsideration.

86% of cases finalised in 2010/11 were submitted to the Reconsideration Advisory Committee within the service standard of 60 business days. The average time taken to finalise reconsiderations in 2010/11 was 4.1 months, down from 5.1 months in 2009/10.

Requests for reconsideration are treated as complaints for the purposes of section 101 of the *Superannuation Industry (Supervision) Act 1993* (the SIS Act). If someone is dissatisfied with ARIA's decision, they may request the Superannuation Complaints Tribunal (SCT) to review the decision in accordance with the *Superannuation (Resolution of Complaints) Act 1993*.

Table 23: Reconsideration applications received and outcomes 2010/11

	Decision of the:	Brought forward	Received	Withdrawn or lapsed	Decisions affirmed	Decisions set aside	Resolved*	Cases finalised	Carried forward**
CSS	Delegate	1	10	2	5	1	3	8	3
	Trustee	0	1	0	1	0	0	1	0
PSS	Delegate	4	29	7	9	7	14	23	10
	Trustee	1	1	0	1	0	0	1	1
PSSap	Delegate	1	5	0	1	2	2	3	3
	Trustee	0	0	0	0	0	0	0	0
Total		7	46	9	17	10	19	36	17

* Resolved = withdrawn or lapsed + decisions set aside

** Carried forward = brought forward + received - finalised

External review

Certain ARIA decisions are subject to external review by the Federal Court and other bodies such as the Australian Human Rights Commission, the Superannuation Complaints Tribunal and the Commonwealth Ombudsman.

Complaints lodged with the SCT

Table 24: Complaints lodged for all schemes 2010/11

	Carried over	Received	Completed	On-hand
Total	68	43	47	64

Federal Court

Decisions of the SCT are reviewable by the Federal Court under section 46 of the *Superannuation (Resolution of Complaints) Act 1993* (SRC Act). Appeals, on the grounds of an error of law only, must be initiated within 28 days of notification of the SCT decision.

ARIA appealed two SCT decision to the Federal Court during 2010/11. One case was set aside by consent. In the other case, ARIA’s appeal was upheld.

Administrative decisions are subject to review by the Federal Court under the *Administrative Decisions (Judicial Review) Act 1977* (AD(JR) Act).

Decisions which may be reviewed under the AD(JR) Act include decisions made by ARIA and its delegates.

Claims against ARIA

During the year, ARIA received 56 claims for compensation concerning benefit entitlements. A further 12 claims were still outstanding at 30 June 2011. ARIA and its delegates considered 45 claims during the year with 23 cases outstanding at 30 June 2011.

Of the 45 claims considered during 2010/11, liability was accepted in 23 cases, for which total compensation payments amounted to \$211,927.86.

Complaints and representations

During the year, ComSuper’s complaints handling processes and procedures for scheme members on behalf of ARIA, were independently audited as part of ARIA’s internal audit program. The audit confirmed that ComSuper complies with the Association of Superannuation Funds of Australia (ASFA) Best Practice Guide, as well as demonstrating a strong commitment to the guiding principles of Standards Australia AS ISO 10002-2006 (Customer Satisfaction – guidelines for complaints handling in organisations).

Consistent with last year’s trend, the number of complaints received decreased during 2010/11. This decrease is mainly due to the resolution of issues that previously caused complaints and a number of processes being automated.

Policy related complaints represented 16% of all complaints received for CSS, PSS and PSSap with the remaining 84% relating to complaints about service. The reasons for complaints are varied but the most common reasons are:

- > customer service concerns about delays in responding to emails and other correspondence, incorrect or insufficient information provided or not responding to member queries

- > insurance premiums deducted incorrectly due to system issues, delays in refund insurance premiums and a lack of information about insurance refunds
- > incorrect annual member statements (particularly when statements are issued)
- > delay in the payment of benefits, problems with the calculation of benefits, the impact of the earning rate policy on the date when a benefit is calculated.

Table 25: Complaints and representations 2010/11

		Total received
CSS	Complaints	179
	Ministerials	3
	Ombudsman enquiries	0
PSS	Complaints	267
	Ministerials	1
	Ombudsman enquiries	1
PSSap	Complaints	134
	Ministerials	0
	Ombudsman enquiries	0
Total		585

Note: This table includes both ARIA and ComSuper statistics.

9

CSS
financial
statements





COMMONWEALTH SUPERANNUATION SCHEME (ABN 19415776361)

**INDEPENDENT REPORT BY THE APPROVED AUDITOR TO THE MINISTER FOR
FINANCE AND DEREGULATION AND MEMBERS OF THE SCHEME**

Scope

I have audited the financial statements of the Commonwealth Superannuation Scheme for the year ended 30 June 2011 which comprises the Statement of Net Assets as at 30 June 2011, the Statement of Changes in Net Assets for the year ended 30 June 2011, a Summary of Principal Accounting Policies and other explanatory notes.

Trustees' Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Commonwealth Superannuation Scheme and the Minister for Finance and Deregulation.

My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial statements.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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

Independence

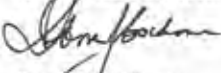
In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Audit Opinion

In my opinion:

- (i) the financial statements are in the form as agreed by the Minister for Finance and Deregulation in accordance with sub-section 161(1A) of the *Superannuation Act 1976*;
- (ii) the financial statements present fairly, in all material respects, in accordance with the Australian Accounting Standards, the net assets of the Commonwealth Superannuation Scheme as at 30 June 2011 and the changes in net assets for the year ended 30 June 2011;
- (iii) the financial statements are based on proper accounts and records; and
- (iv) the receipt of money into the Scheme, and the payment of money out of the Scheme and the investment of money standing to the credit of the Scheme, during the year have been in accordance with s.161(2) of the *Superannuation Act 1976* and the Trust Deed.

AUSTRALIAN NATIONAL AUDIT OFFICE



Warren J. Cochrane
Group Executive Director

Delegate of the Auditor-General
Canberra

13 September 2011

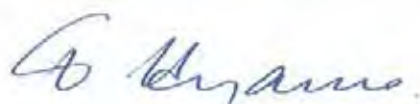
Commonwealth Superannuation Scheme (ABN 19 415 776 361)

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 2010)* 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 2011 and the changes in net assets of the Scheme for the year ended 30 June 2011;
- (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 the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* 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 13th day of September 2011 in accordance with a resolution of directors of the Commonwealth Superannuation Corporation (ABN 48 882 817 243) (formerly Australian Reward Investment Alliance) as Trustee of the Scheme.



Tony Hyams
Chairman



Winsome Hall
Director

CSS financial statements

For the Year Ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Net assets available to pay benefits at the beginning of the financial year		4 767 657	4 741 393
Net investment revenue			
Interest		2 163	1 582
Changes in net market value of investments	5c	325 667	447 571
		327 830	449 153
Contribution revenue			
Member contributions	6a	96 037	103 019
Employer contributions	6a	34 606	37 392
Co-Contributions	6a	864	1 922
Appropriation from Consolidated Revenue Fund	6b	3 378 233	3 144 008
		3 509 740	3 286 341
Total revenue		3 837 570	3 735 494
Benefits paid	6b	(4 002 110)	(3 703 486)
Transfers to the Public Sector Superannuation Scheme	9	-	105
Total expenses		(4 002 110)	(3 703 381)
Change in net assets before income tax		(164 540)	32 113
Income tax expense	7a	(4 672)	(5 849)
Change in net assets after income tax		(169 212)	26 264
Net assets available to pay benefits at the end of the financial year		4 598 445	4 767 657

Statement of Net Assets
As at 30 June 2011

	Note	2011 \$'000	2010 \$'000
Investments			
Pooled Superannuation Trust	4	4 578 499	4 747 832
Total investments		<u>4 578 499</u>	<u>4 747 832</u>
Other assets			
Cash and cash equivalents		40 821	41 089
Interest receivable		207	196
Sundry debtors	8	49	-
Amount to be appropriated from Consolidated Revenue Fund		350	309
Total other assets		<u>41 427</u>	<u>41 594</u>
Total assets		4 619 926	4 789 427
Liabilities			
Benefits payable		16 152	15 961
Sundry payables	10	-	237
Current tax liabilities	7b	5 298	5 542
Deferred tax liabilities	7c	31	29
Total liabilities		<u>21 481</u>	<u>21 770</u>
Net assets available to pay benefits		<u>4 598 445</u>	<u>4 767 657</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1. DESCRIPTION OF THE SCHEME

The Commonwealth Superannuation Scheme ('Scheme') is a defined benefit scheme which provides benefits to its members under the *Superannuation Act 1976* (as subsequently amended). The Trustee of the Scheme is Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243), formerly Australian Reward Investment Alliance (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. CSC pays member benefits and taxes relating to the CSS Fund out of the CSS Fund. CSC pays costs of and incidental to the management of the CSS Fund and the investment of its money from the assets of the ARIA Investments Trust that are referable to the CSS Fund (Note 6(c)).

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 8, 121 Marcus Clarke Street, Canberra ACT 2601.

2. BASIS OF PREPARATION**(a) Statement of Compliance**

The financial report of the 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 2010)*, Accounting Standards and Interpretations and the *Superannuation Industry (Supervision) Act 1993*. Accounting Standards include Australian Accounting Standards and International Financial Reporting Standards ('IFRS') to the extent that they are not inconsistent with AAS 25 '*Financial Reporting by Superannuation Plans*'.

The form of these financial statements has been agreed by the Minister for Finance and Deregulation and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* .

The financial statements of the Scheme were authorised for issue by the Trustees on the 13th September 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

Australian Accounting Standards require CSC 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. CSC 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
AASB 124 'Related Party Disclosures (2009)' and AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments' and AASB 2009-11 'Consequential amendments to other accounting standards' resulting from its issue.	1 January 2013	30 June 2014
AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 January 2013	30 June 2014

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 2009-5 'Further amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 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.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

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 2011 and the comparative information presented in these financial statements for the year ended 30 June 2010.

(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 the Scheme 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) Units in a pooled superannuation trust 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, reflecting 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)**(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'), but payment had not been made by reporting date.

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 on an accrual basis.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Revenue (continued)

Contribution Revenue

Employer and member contributions, transfers from other funds and superannuation co-contributions from the Commonwealth Government are recognised when cash is received.

(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.

(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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)**(h) Income Tax (continued)****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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)**(i) Superannuation Contributions (Surcharge) Tax**

Surcharge liabilities are calculated by the Australian Taxation Office (ATO) and recorded against Scheme member accounts. The liability for surcharge is not payable until the member receives a lump sum, transfers their contributions or receives a death benefit. The amount assessed by the ATO is fully recoverable from the member from their benefit or by voluntary member payment, therefore no surcharge expense is recognised in the Scheme (see Note 12).

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

(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 16.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

(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.

4. INVESTMENTS

	2011	2010
	\$'000	\$'000
Equity investments		
Pooled Superannuation Trust - ARIA Investments Trust	4 578 499	4 747 832
	4 578 499	4 747 832

5. CHANGES IN NET MARKET VALUES

	2011	2010
	\$'000	\$'000
(a) Investments held at 30 June:		
Pooled Superannuation Trust - ARIA Investments Trust	300 773	413 842
	300 773	413 842
(b) Investments realised during the year:		
Pooled Superannuation Trust - ARIA Investments Trust	24 893	33 729
	24 893	33 729
(c) Total changes in net market values of investments	325 667	447 571

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

6. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions

Members contribute to the Scheme at optional rates from 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

For the financial year ended 30 June 2010, the Commonwealth Government contributes \$1.00 for every \$1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of \$1 000 per member for each financial year. For the financial year ended 30 June 2009, the Commonwealth Government contributed \$1.00 for every \$1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of \$1 000 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.

Of the total benefits payable at 30 June 2011, \$0.35 million (2010: \$0.309 million) is payable by the Consolidated Revenue Fund. The Commonwealth Government is the corresponding debtor for this amount in accordance with the funding arrangements described above.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

6. FUNDING ARRANGEMENTS

(b) Benefits (continued)

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

	2011	2010
	\$'000	\$'000
Gross Appropriation from Consolidated Revenue Fund	4 001 971	3 704 188
less: Transfers from CSS Fund to Consolidated Revenue Fund	(623 738)	(560 180)
Net Appropriation	<u>3 378 233</u>	<u>3 144 008</u>
Consolidated Revenue Fund		
Lump-sum Benefits	516 272	474 674
Pensions	3 485 699	3 228 775
	<u>4 001 971</u>	<u>3 703 449</u>
CSS Fund		
Lump-sum Benefits	139	37
Total benefits paid	<u>4 002 110</u>	<u>3 703 485</u>

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of Administration (continued)

Expenses are as follows:

	Expenses met by	
	AIT	AIT
	2011	2010
	\$'000	\$'000
Investment		
Investment Advisors	900	1 204
Investment Managers	6 517	6 608
Custodian	934	1 653
Other	182	1 217
Total direct investment expenses	8 533	10 682
General administration	3 853	3 739
Total costs	12 386	14 421

The *Superannuation Act 1976* requires the ComSuper to assist the Trustee in performing its member administration responsibilities in relation to the Scheme. The expenses of the ComSuper are met by government appropriation and a share of the administrative fees paid to ComSuper by employing agencies. The remaining share of administrative fees is paid to the Trustee to meet 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 the Trustee and ComSuper.

Scheme administration costs met by sponsoring employers are as follows:

	2011	2010
	\$'000	\$'000
Trustee fees	1 279	1 312
ComSuper fees	13 888	13 502
Total	15 167	14 815

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

7. INCOME TAX

	2011 \$'000	2010 \$'000
(a) Income tax recognised in the Statement of Changes in Net Assets		

Tax expense comprises:

Current tax expense	5 523	5 834
Adjustments recognised in the current year in relation to the current tax of prior years	(853)	-
Deferred tax expense relating to the origination and reversal of temporary differences	2	15
Total tax expense	<u>4 672</u>	<u>5 849</u>

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	<u>(164 540)</u>	32 113
Income tax expense / (benefit) calculated at 15%	(24 681)	4 817
Add (less) permanent differences - items not assessable or deductible		
Employee contributions	(14 526)	(15 754)
Benefits paid	600 317	555 523
Appropriation from CRF	(506 735)	(471 601)
Investment revenue already taxed	(48 850)	(67 136)
Adjustments recognised in the current year in relation to the current tax of prior years	(853)	-
	<u>4 672</u>	<u>5 849</u>

(b) Current tax liabilities

Current tax payables:

Provision for current year income tax	5 298	5 542
	<u>5 298</u>	<u>5 542</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

7. INCOME TAX (continued)

(c) Deferred tax balances

	2011	2010
	\$'000	\$'000
Deferred tax liabilities comprise:		
Temporary differences	31	29
	31	29

Taxable and deductible temporary differences arise from the following:

2011	Opening balance	Charged to income	Acquisition / disposal	Closing balance
	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:				
Interest receivable	29	2	-	31
	29	2	-	31
Total	29	2	-	31
2010	Opening \$'000	Charged to \$'000	Acquisition / \$'000	Closing \$'000
Gross deferred tax liabilities:				
Interest receivable	15	14	-	29
	15	14	-	29
Total	15	14	-	29

8. SUNDRY RECEIVABLES

	2011	2010
	\$'000	\$'000
Surcharge tax	49	-
Total	49	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

9. 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 Superannuation Scheme are entitled to elect to transfer to the Public Sector Superannuation Scheme ('PSS'). There were no elections to transfer made during the year ended 30 June 2011 (2010: 0 elections).

During the 2009-10 year \$306 653 was transferred from CSS to PSS as a result of elections made in a prior year.

10. SUNDRY PAYABLES

	2011 \$'000	2010 \$'000
Surcharge tax	-	237
Total	-	358

11. AUDITOR'S REMUNERATION

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

	2011 \$	2010 \$
Financial statements and regulatory returns	70 340	67 240
Combined Risk Management Strategy and Plan	7 535	6 065
Total	77 875	73 305

The audits of the financial statements and APRA forms were provided by the Australian National Audit Office free of charge. The audit fees for the Combined Risk Management Strategy and Plan (RMSP) were charged against assets of ARIA Investment Trust that are referable to the Scheme.

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.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

12. 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, benefit payments and tax payments) comprise units in ARIA Investments Trust ('AIT'). AIT is a pooled superannuation trust which is also governed by the Trustee. This type of investment has been determined by the Trustee to be appropriate for the Scheme and is in accordance with the Schemes' published investment strategy. The Trustee 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 and financial liability are disclosed in Note 3 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

12. 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 Scheme's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. These policies may include the use of financial derivative instruments.

CSC is responsible for ensuring that there is an effective risk management control framework in place for the Scheme. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Combined Risk Management Strategy Plan (RMSP) 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 Investment Policy manual and the Derivatives Securities Policy which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

12. 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, the Trustee 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 Scheme's exposure to its counterparties are continuously monitored by the trustee. The largest exposure to a single counterparty is to the investment master custodian JP Morgan. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within ARIA Investments Trust exceeded 5% of net assets of that trust at 30 June 2011 or 30 June 2010.

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:

	2011	2010
	\$'000	\$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	4 578 499	4 747 832
Other financial assets		
Cash and cash equivalents	40 821	41 089
Interest receivable	207	196
Sundry debtor	49	-
Total	4 619 576	4 789 117

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

12. 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 and member benefit payments. The Scheme allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Trustee 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 (2010: within 3 months). Current tax liabilities are expected to be settled within 1 year of the reporting date (2010: within 1 year) and the deferred tax liability within 2 years (2010: within 2 years). At 30 June 2011 the Scheme's total exposure to liquidity risk was \$21.481 million (2010: \$21.77 million) relating to scheme liabilities and \$67.227 billion representing the liability for vested benefits (2010: \$66.202 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 during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

12. 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 the Trustee's investment policies, and the RMSP.

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 2010 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 AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of the AIT, relating to emerging markets, may remain unhedged due to lack of suitable currency instruments for hedging. The Trustee's currency hedging policy was changed in 2009, when the Trustee determined that some strategic currency exposures could be adopted.

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 2011 and 30 June 2010 had a maturity profile of less than one month.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

12. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate risk (continued)

The following table illustrates the Scheme's sensitivity to a 1.75% p.a. (2010: 1.5%) 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 1.75% 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			
			Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
2011						
Cash and cash equivalents	-/+1.75%	40 821	(714)	(714)	714	714
2010						
Cash and cash equivalents	-/+1.5%	41 089	(616)	(616)	616	616

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Scheme during the financial year.

Other price risk

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'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, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

12. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other 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 8% (2010: 9%) represents the average annual volatility in the default option unit price of the Scheme's investment in the ARIA Investments Trust. For the Cash Option a factor of 1.75% (2010: 1.5%) 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:

2011	Change in price	Carrying amount \$'000	Interest rate risk \$' 000			
			Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
Financial Assets						
ARIA Investment Trust :						
Default Option	-/+8%	4 332 780	(346 622)	(346 622)	346 622	346 622
Cash option	-/+1.75%	245 719	(4 300)	(4 300)	4 300	4 300
Total		4 578 500	(350 922)	(350 922)	350 922	350 922

2010	Change in price	Carrying amount \$'000	Interest rate risk \$' 000			
			Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
Financial Assets						
ARIA Investment Trust :						
Default Option	-/+9%	4 493 878	(404 449)	(404 449)	404 449	404 449
Cash option	-/+1.5%	253 955	(3 809)	(3 809)	3 809	3 809
Total		4 747 832	(408 258)	(408 258)	408 258	408 258

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

12. FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurements

The Schemes' financial instruments, as disclosed in Note 11(d) above, are included in the Statement of Net Assets at net market value that approximates fair value. The net market value is determined per accounting policies in Note 3(a).

Net market value measurements recognised in the Statement of Net Assets

The following table provides an analysis of the Scheme's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: net market value measurements are those derived from quoted prices in active markets.

Level 2: net market value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: net market value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2011 Financial Assets				
Pooled superannuation trusts	-	4 578 499	-	4 578 499
2010 Financial Assets				
Pooled superannuation trusts	-	4 747 832	-	4 747 832

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued using daily published prices. These prices are based on the latest listed and unlisted market prices of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 net market value measurements of Assets

There were no Level 3 financial assets or liabilities for the period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

13. 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:

	2011	2010
	\$'000	\$'000
Total surcharge liability outstanding at start of year	63 465	81 337
Adjustment to opening balances		
Changes in unpaid assessments	(89)	(14 013)
Interest on outstanding surcharge liabilities at end of year	2 978	3 080
	66 354	70 404
Less: Amounts paid by members and Consolidated Revenue Fund	(6 303)	(6 939)
Total surcharge liability outstanding at end of year	60 051	63 465

The surcharge tax ceased on 1 July 2005. Assessments relating to periods prior to this date continue to be received by the Scheme. No liability is recognised in the financial statements

14. UNALLOCATED INCOME

Monthly earnings are allocated to members each month-end, or for part of a month on contributions made during a month or where a member exits the Scheme during a month.

	2011	2010
	\$'000	\$'000
Opening balance of unallocated income	28 258	(7 090)
Add: Earnings of fund for the year	327 301	448 916
Less: Earnings allocated	(330 269)	(413 736)
Less: Adjustments for estimates	-	168
Closing balance of unallocated income	25 290	28 258

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

14. UNALLOCATED INCOME (continued)

The closing balance represents approximately 0.6% (2010: 0.6%) of the members' funded entitlements as at 30 June 2011. Unallocated income materially represents the difference between investment valuations applied in daily earnings rates and the confirmed investment values published in these financial statements.

15. 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.

An actuarial estimate of vested benefits at 30 June 2011 is \$67.227 billion (2010: \$66.202 billion). The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2011 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:

	2011	2010
	\$billion	\$billion
Funded component	4.6	4.8
Unfunded component	62.6	61.4
	67.2	66.2

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

	2011	2010
	\$billion	\$billion
Funded component	4.6	4.8
Net assets plus funded benefits payable	4.6	4.8
Surplus (deficiency)	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

16. 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. The next review will be received in the coming year for the period ended 30 June 2011.

Accrued benefits as at 30 June were:

	2008	2005
	\$billion	\$billion
Funded component	6.1	6.0
Unfunded component	59.2	50.7
	65.3	56.7

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

17. RELATED PARTIES

(a) Trustee

Australian Reward Investment Alliance (ARIA) acted as Trustee throughout the year ended 30 June 2011. The Trustee name was changed to the Commonwealth Superannuation Corporation (CSC) on 1 July 2011. No fees were charged by CSC for acting as Trustee of the Scheme during the reporting period.

(b) Board Members

The trustees throughout the year ended 30 June 2011 were:

Tony Cole (appointed 4 May 2011)
 Brian Daley (term ended 30 June 2011)
 Peter Feltham
 Margaret Gillespie (resigned 13 May 2011)
 Winsome Hall
 Tony Hyams (Chairman)
 David Irons
 Dennis Trewin (term ended 30 June 2011)

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. In this capacity Mr Irons attended one meeting of the Board of Trustees during 2010-11.

The directors of CSC from 1 July 2011 to the date of this report were:

Tony Cole	Peter Cosgrove
Peter Feltham	Nadine Flood
Peggy Haines	Winsome Hall
Tony Hyams (Chairman)	John McCullagh
Gabriel Szondy	Michael Vertigan

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

17. RELATED PARTIES (continued)

(c) Key Management Personnel Compensation

In addition to the Trustees, the following executives of the Trustee had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2011:

Helen Ayres	Senior Executive, Trustee & Business Services
Peter Carrigy-Ryan	Chief Operating Officer (and Acting Chief Executive Officer from 30 September 2010)
Lochiel Crafter	Chief Executive Officer (resigned 30 September 2010)
Leonie McCracken	Senior Executive, Operations
Bronwyn McNaughton	Senior Executive, Legal & Risk
Alison Tarditi	Chief Investment Officer
Kevin Thompson	Senior Executive, Finance & Technology
Christine Pearce	Senior Executive, Member & Employer Services (appointed 23 May 2011)

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

	2011	2010
	\$	\$
Short-term employee benefits	340 769	347 778
Post-employment benefits	32 420	46 842
Other long-term benefits	3 623	21 582
Termination benefits	-	-
Share-based payment	-	-
	<u>376 813</u>	<u>416 201</u>

Aggregate compensation in relation to the Scheme is a pro-rata apportionment of the overall compensation paid by the Trustee, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

17. RELATED PARTIES (continued)**(d) Investing entities**

Throughout the year ended 30 June 2011, 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 the Public Sector Superannuation Scheme and the Public Sector Superannuation Accumulation Plan. The Trustee of the Scheme governed these three entities during the year ended 30 June 2011. All investing transactions are conducted under normal industry terms and conditions.

The Trustee 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 for acting as Trustee during the year ended 30 June 2011 (2010: \$nil).

18. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**(a) Expenditure Commitments**

The Scheme had no capital or other expenditure commitments at 30 June 2011 (2010: \$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.

There were no other contingent liabilities or contingent assets for the Scheme at 30 June 2011 (2010: \$nil).

(c) Contingent Assets

The Scheme had no contingent assets at 30 June 2011 (2010: \$nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

19. SUBSEQUENT EVENTS

The name of the Trustee of the Scheme, Australian Reward Investment Alliance (ARIA) was changed on 1 July 2011 to Commonwealth Superannuation Corporation (CSC). This change has not materially affected the operations of the Scheme or the results of those operations.

Since 30 June 2011, markets have experienced a period of significant volatility, impacting on the valuation of the Scheme's investment portfolio. As the investments shown in these financial statements are measured at their 30 June 2011 values, this volatility in value is not reflected in the statement of net assets or the statement of changes in net assets. As the Scheme allocates all of its investment income to members, the volatility in the value of investments since 30 June 2011 has been reflected in the unit prices for the Scheme's default investment option since that date.

No other matters have arisen since 30 June 2011 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.

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Information Required for Purposes of Australian Accounting Standard AAS 25 Relating to the Actuarial Valuation of the Commonwealth Superannuation Scheme as at 30 June 2008

Purpose of Report

This statement has been prepared for the purposes of AAS 25 as at 30 June 2008 for the Commonwealth Superannuation Scheme (CSS) at the request of the Australian Reward Investment Alliance (ARIA).

This extract summarises the actuarial valuation of the Scheme as at 30 June 2008 carried out by Mercer (Australia) under the advice of Martin Stevenson FIAA, FIA and Darren Wickham FIAA. It has been prepared for the purposes of inclusion with the Scheme Accounts and is in a form that complies with the Australian Accounting Standard AAS 25.

Accrued and Vested Benefits

AAS 25 requires the disclosure of Accrued and Vested benefits at the reporting date.

For the purpose of AAS 25 the following amounts have been determined:

Reporting Date	Accrued Benefits \$billion	Vested Benefits \$billion
30 June 2008	65.3	67.4

Accrued Benefits have been determined as the present value of expected future benefit payments that arise from membership of the CSS up to the reporting date.

Vested Benefits are benefits which the CSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elected the benefit option which is most costly to the Scheme.

The method and assumptions used to determine Accrued and Vested Benefits are summarised in Attachment 1 to this statement.

Accrued Benefits have been calculated in a manner consistent with Guidance Note 454 and Professional Standard 402 issued by the Institute of Actuaries of Australia.

Review of Actuarial Report

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Consulting, Outsourcing, Investments.

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AAS 25 also requires the notes to the Scheme accounts to include a summary of the most recent actuarial report of the CSS. Attachment 2 to this Statement provides a summary of the report on the Long Term Cost of the Public Sector Superannuation Scheme (PSS) and the CSS carried out as at 30 June 2008. The summary has been prepared in accordance with Professional Standard 401 issued by the Institute of Actuaries of Australia and contains the information required under AAS 25.



Martin A Stevenson
Fellow of the Institute of Actuaries of Australia
Worldwide Partner, Mercer (Australia) Pty Ltd

June 2009



Darren Wickham
Fellow of the Institute of Actuaries of Australia
Principal, Mercer (Australia) Pty Ltd

June 2009

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Attachment 1 to AAS 25 Statement

Method of Determining Accrued and Vested Benefits

Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the CSS up to the date of calculation. The expected future benefits were determined allowing for future salary growth to the date of exit.

The approach used to apportion benefits between past and future membership involves an "actual accrual" or "Projected Unit Credit Method" (or PUCM) approach.

This involves determining the total benefit using:

$$\begin{array}{ccc} \text{Accrued Multiple} & & \text{Final Average Salary} \\ \text{(calculated using membership} & * & \text{at future date} \\ \text{to the date of the valuation)} & & \end{array}$$

The benefit is then adjusted to be the unfunded benefit by deducting accumulated member and productivity contributions.

The method used to apportion benefits between past and future membership has changed since the statement as at 30 June 2005. The reason for the change in method was to bring the calculations into line with the Budget process and Australian Accounting Standards for employer reporting.

The past membership component of the member-financed lump sum benefits and of the productivity superannuation benefits is taken to be the accumulated amount of contributions and interest at the calculation date.

Vested Benefits are determined as the value of benefits which the CSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elect the benefit option which is most costly to the CSS.

Assumptions Used to Determine Accrued Benefits

The assumptions used to determine Accrued Benefits are the same as those used for the most recent actuarial investigation into the long term cost of the PSS and the CSS as at 30 June 2008. Therefore, the Accrued Benefit calculated for AAS 25 purposes is the same as that calculated for the purposes of the Long Term Cost Report.

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The financial assumptions used to determine the Accrued Benefits along with those used for the recent actuarial investigation are shown in the table below:

Item	AAS 25	Long Term Cost Report
CPI Increases	2.5% per annum	2.5% per annum
Investment Return	6.0% per annum	6.0% per annum
General Salary Increases	4.0% per annum	4.0% per annum

A summary of the other assumptions used is contained in Appendix B of the Long Term Cost Report of the PSS and the CSS.

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Attachment 2 to AAS 25 Statement

Summary of the Long Term Cost Report

The latest actuarial investigation into the long term cost of the PSS and CSS was conducted at 30 June 2008.

This attachment provides a summary of that report.

Membership Data

Data relating to the membership of the PSS and the CSS was provided by ComSuper, the Schemes' administrator, on behalf of ARIA, for the purposes of this investigation.

The table below summarises the total membership of the CSS as at 30 June 2008.

CSS MEMBERSHIP as at 30 JUNE 2008			
	Male	Females	Total
Number of Contributors	14,397	7,765	22,162
Salaries - Total	\$1,291 m	\$611 m	\$1,902 m
- Average	\$89,671	\$78,686	\$85,823
Number of Deferred Beneficiaries	8,363	3,098	11,461
Number of Age Pensioners	51,543	17,920	69,463
Number of Invalidity Pensioners	12,756	4,682	17,438
Number of Reversionary Pensioners	1,313	27,218	28,531

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Assumptions

The key economic assumptions adopted for this review are shown in the table below. The assumptions adopted for the previous review (which was carried out as at 30 June 2005) are shown for comparison purposes.

Item	Assumption	2005 Investigation
CPI Increases	2.5% per annum	2.5% per annum
Investment Returns	6.0% per annum (nominal) 3.5% per annum (real)	6.0% per annum (nominal) 3.5% per annum (real)
General Salary Increases	4.0% per annum (nominal) 1.5% per annum (real)	4.0% per annum (nominal) 1.5% per annum (real)
GDP Increases	2.4%* per annum (real)	2.3% per annum (real)

* The GDP increase rate is the average of the annual rates over the period from 2008 to 2048.

Of the key economic assumptions only the GDP increase assumption is different between the 2005 investigation and the 2008 investigation.

The demographic assumptions at 2008 have been revised from those at 2005 to more closely reflect actual experience of the Scheme. These are set out in Appendix B of the Long Term Cost Report.

Of the changes in assumptions, the most significant were:

- change to apportionment method;
- increase in the take-up of resignation benefits at age 54.

Value of Assets

The PSS and CSS are partly funded to the extent that real assets are held in respect of member contributions and productivity superannuation contributions. The realisable value of the CSS assets as at 30 June 2008 was \$6.1 billion.

Accrued Benefits

The value of accrued benefits as at 30 June 2008 was \$65.3 billion.

Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the CSS up to the date of calculation. The expected future benefits were determined allowing for future salary growth to the date of exit. Benefits were apportioned between past and future membership by multiplying the accrued multiple at the calculation date by the Final Average Salary at the date of exit.

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The past membership component of the member-financed lump sum benefits and of productivity superannuation benefits is taken to be the accumulated amount of contributions and interest at the calculation date. An amount of \$6.1 billion has been included in the Accrued Benefit in respect of the member financed benefits and productivity superannuation benefits.

The Accrued Benefit also includes an amount of \$45.4 billion in respect of pensioners and preserved beneficiaries of the CSS.

Vested Benefits

Vested Benefits of the CSS were not calculated as a part of the Long Term Cost Report as at 30 June 2008 but were calculated separately.

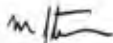
The estimated value of the Vested Benefits of the CSS as at 30 June 2008 is \$67.4 billion.

Vested Benefits are determined as the value of benefits which the CSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elected the benefit option which is most costly to the CSS.

Financial Condition

The CSS is a partially funded scheme. As a consequence, the value of Accrued Benefits and Vested Benefits is significantly more than the realisable value of Scheme assets at the same date.

However, the CSS operates under an underlying guarantee from the Commonwealth Government. Further, the investigation shows that the projected combined Commonwealth costs in respect of the PSS and CSS reduce as a percentage of projected Gross Domestic Product over the next 40 years.



Martin A Stevenson
Fellow of the Institute of Actuaries of Australia
Worldwide Partner, Mercer (Australia) Pty Ltd

June 2009



Darren Wickham
Fellow of the Institute of Actuaries of Australia
Principal, Mercer (Australia) Pty Ltd

June 2009

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PSS
financial
statements



PUBLIC SECTOR SUPERANNUATION SCHEME (ABN 74172177893)

**INDEPENDENT REPORT BY THE APPROVED AUDITOR TO THE MINISTER FOR
FINANCE AND DEREGULATION AND MEMBERS OF THE SCHEME**

Scope

I have audited the financial statements of the Public Sector Superannuation Scheme, comprising the Public Sector Superannuation Scheme and its controlled entities, for the year ended 30 June 2011 which comprises the Statement of Net Assets as at 30 June 2011, the Statement of Changes in Net Assets for the year ended 30 June 2011, a Summary of Principal Accounting Policies and other explanatory notes.

Trustees' Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Public Sector Superannuation Scheme and the Minister for Finance and Deregulation.

My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial statements.

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

GPO Box 707 CANBERRA ACT 2601
18 National Circuit BARTON ACT
Phone (02) 6253 7300 Fax (02) 6253 7111

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession. The Auditor-General is mandated to perform the audit of the Public Sector Superannuation Scheme, pursuant to the *Superannuation Act 1990*. I am the delegate of the Auditor-General responsible for the conduct of this audit and I am a member of the Public Sector Superannuation Scheme. I have no involvement in any investment or any other decision made by the trustee of Public Sector Superannuation Scheme. A number of safeguards are in place in respect of my independence, including a quality review by an appropriately skilled auditor who is not a member of the Public Sector Superannuation Scheme.

Audit Opinion

In my opinion:

- (i) The financial statements are in the form as agreed by the Minister for Finance and Deregulation in accordance with sub-section 28(1)(b) of the *Superannuation Act 1990*;
- (ii) the financial statements present fairly, in all material respects, in accordance with the Australian Accounting Standards, the net assets of the Public Sector Superannuation Scheme and its controlled entities as at 30 June 2011 and the changes in net assets for the year ended 30 June 2011;
- (iii) the financial statements are based on proper accounts and records; and
- (iv) the receipt of money into the Fund, and the payment of money out of the Scheme and the investment of money standing to the credit of the Scheme, during the year have been in accordance with s 28(2) of the *Superannuation Act 1990* and the Trust Deed.

AUSTRALIAN NATIONAL AUDIT OFFICE



Warren J. Cochrane
Group Executive Director

Delegate of the Auditor-General
Canberra

13 September 2011

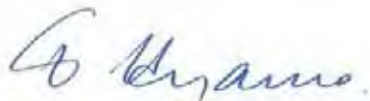
Public Sector Superannuation Scheme (ABN 74 172 177 893)

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 2010)* 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 2011 and the changes in net assets of the Scheme and of the Group for the year ended 30 June 2011;
- (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 the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* 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 13th day of September 2011 in accordance with a resolution of directors of the Commonwealth Superannuation Corporation (ABN 48 882 817 243) (formerly Australian Reward Investment Alliance) as Trustee of the Scheme.



Tony Hyams
Chairman



Winsome Hall
Director

**Statement of Changes in Net Assets
For the Year Ended 30 June 2011**

	Note	Group 2011 \$'000	Group 2010 \$'000	Scheme 2011 \$'000	Scheme 2010 \$'000
Net assets available to pay benefits at the start of the financial year		11 394 820	9 992 079	11 394 820	9 992 079
Net investment revenue					
Interest		148 148	79 608	2 021	1 687
Dividends and distributions		528 451	488 951	-	-
Other investment income		11 998	6 505	-	-
Property rental income		171 792	162 420	-	-
Changes in net market values	5c	674 933	1 062 483	825 485	1 027 348
Less: Direct investment expenses	6c	(92 934)	(97 117)	-	-
		1 442 388	1 702 850	827 506	1 029 035
Contribution revenue					
Member contributions	6a	571 200	550 105	571 200	550 105
Employer contributions	6a	224 592	223 365	224 592	223 365
Government co-contributions	6a	14 055	24 837	14 055	24 837
Appropriation from Consolidated Revenue Fund	6b	406 931	346 501	406 931	346 501
Transfers from the Commonwealth Super Scheme	8	-	(105)	-	(105)
		1 216 778	1 144 703	1 216 778	1 144 703
Total revenue		2 659 166	2 847 553	2 044 284	2 173 738
General administration expenses	6c	(20 721)	(14 769)	-	-
Benefits paid	6b	(924 384)	(737 145)	(924 384)	(737 145)
Total expenses		(945 105)	(751 914)	(924 384)	(737 145)
Change in net assets before income tax		1 714 061	2 095 639	1 119 900	1 436 593
Income tax expense	7a	(143 146)	(103 257)	(34 087)	(33 852)
Change in net assets after income tax		1 570 915	1 992 382	1 085 813	1 402 741
Distribution to minority interest holders		(20 107)	(2 352)	-	-
Change in net assets attributable to minority interest		(464 995)	(587 289)	-	-
Net assets available to pay benefits at the end of the financial year		12 480 633	11 394 820	12 480 633	11 394 820

The attached notes form part of these financial statements.

**Statement of Net Assets
As at 30 June 2011**

	Note	Group 2011 \$'000	Group 2010 \$'000	Scheme 2011 \$'000	Scheme 2010 \$'000
Investments					
Cash and cash equivalents	4	661 474	578 757	-	-
Money market securities	4	812 031	1 370 282	-	-
Fixed interest securities	4	2 565 275	2 144 377	-	-
Equity investments	4	12 815 274	11 608 234	12 464 957	11 359 471
Property investments	4	2 651 666	2 821 318	-	-
Derivative contracts	4	44 829	(47 779)	-	-
Total investments		19 550 549	18 475 189	12 464 957	11 359 471
Other assets					
Cash and cash equivalents		68 956	83 118	68 956	83 118
Trade settlements receivable		391 830	82 621	-	-
Other receivables	9	132 984	100 113	200	236
Amount to be appropriated from /to Consolidated Revenue Fund		309	226	309	226
Deferred income		22 748	16 856	-	-
Current tax assets	7b	-	3	-	-
Deferred tax assets	7d	120 072	114 795	-	-
Total other assets		736 899	397 732	69 465	83 580
Total assets		20 287 448	18 872 921	12 534 422	11 443 051
Liabilities					
Benefits payable		19 055	13 877	19 055	13 877
Trade settlements payable		110 936	274 374	-	-
Other payables	10	31 664	33 949	864	972
Borrowings	11	-	150 100	-	-
Current tax liabilities	7c	174 559	75 571	33 840	33 347
Deferred tax liabilities	7d	30	35	30	35
Total liabilities		336 244	547 906	53 789	48 231
Net assets		19 951 204	18 325 015	12 480 633	11 394 820
Net assets attributable to minority interest		(7 470 571)	(6 930 195)	-	-
Net assets available to pay benefits		12 480 633	11 394 820	12 480 633	11 394 820

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

1. DESCRIPTION OF THE SCHEME

The Public Sector Superannuation Scheme ('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 of the Scheme is Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243). The Trustee name was changed on 1 July 2011 from Australian Reward Investment Alliance (ARIA).

Moneys paid to the Trustee 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. The Trustee pays member benefits and taxes relating to the PSS Fund out of the PSS Fund. The Trustee 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 18 and 19 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 8, 121 Marcus Clarke Street, Canberra ACT 2601.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of 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 2010)*, Accounting Standards and Interpretations, the *Superannuation Industry (Supervision) Act 1993* and provisions of the Trust Deed. Accounting Standards include Australian Accounting Standards and International Financial Reporting Standards ('IFRS') to the extent that they are not inconsistent with AAS 25 *'Financial Reporting by Superannuation Plans'*.

The form of these financial statements has been agreed by the Minister for Finance and Deregulation and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011*.

The financial statements of the Scheme were authorised for issue by the Trustee on the 13th September 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Australian Accounting Standards require the Trustee 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 on issue but not yet effective. The Trustee 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 have no material financial impact on the financial report of the Scheme.

Standards on issue, not yet effective:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 124 'Related Party Disclosures (2009)' and AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments', AASB 2009-11 'Consequential amendments to other accounting standards' resulting from its issue and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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

Standards adopted this year:

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 2009-5 'Further amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010
AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 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.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

2. BASIS OF PREPARATION (continued)

(c) Use of judgements and estimates (continued)

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 2011 and the comparative information presented in these financial statements for the year ended 30 June 2010.

(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 19 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

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 entity 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.
- (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'.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Assets (continued)

- (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 net market 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. Cash and cash equivalents are valued at principle amount or at market closing price on the last business day of the reporting period and include accrued interest.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Financial Liabilities (continued)

(i) Benefits payable

A benefit is recognised as a payable to a member where a valid withdrawal notice is received from the employer sponsor, and is approved by the Scheme administrator, but payment had not been made 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.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Revenue (continued)

Investment revenue (continued)

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 (measured at fair value) at year end (or consideration received if sold during the year) and the net market value (measured at fair 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.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(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.

(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 3(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Income tax (continued)

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Superannuation Contributions (Surcharge) Tax

Surcharge liabilities are calculated by the Australian Taxation Office (ATO) and recorded against Scheme member accounts. The liability for surcharge is not payable until the member receives a lump sum, transfers their contributions or receives a death benefit. The amount assessed by the ATO is fully recoverable from the member from their benefit or by voluntary member payment, therefore no surcharge expense is recognised in the Scheme (see Note 13).

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

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

4. INVESTMENTS

	Group 2011 \$'000	Group 2010 \$'000	Scheme 2011 \$'000	Scheme 2010 \$'000
Cash and cash equivalents				
Cash at bank - Australia	530 092	279 188	-	-
Cash at bank - international	81 055	290 601	-	-
Cash deposits with futures brokers	50 327	8 968	-	-
	661 474	578 757	-	-
Money market securities				
Australian	785 745	1 316 710	-	-
International	26 286	53 572	-	-
	812 031	1 370 282	-	-
Fixed interest securities				
Australian	904 037	381 302	-	-
International	1 661 238	1 763 075	-	-
	2 565 275	2 144 377	-	-
Equity investments				
Equity securities - Australian	4 195 966	3 766 873	-	-
Equity securities - international	4 211 203	3 263 906	-	-
Unlisted Australian trusts	2 982 513	2 687 080	-	-
Unlisted Australian controlled trusts	-	-	12 464 957	11 359 471
Unlisted international trusts	1 425 592	1 890 375	-	-
	12 815 274	11 608 234	12 464 957	11 359 471
Property investments				
Unlisted Australian trusts	649 638	956 623	-	-
Investment Properties - Australian	2 002 028	1 864 695	-	-
	2 651 666	2 821 318	-	-
Derivatives contracts				
Forward currency - Australia	3 174 370	4 724 146	-	-
Forward currency - international	(3 149 451)	(4 824 204)	-	-
Options - Australian	19 222	55 377	-	-
Options - international	(172)	(707)	-	-
Futures - Australian	767	(2 043)	-	-
Futures - international	93	(348)	-	-
	44 829	(47 779)	-	-
Total investments	19 550 549	18 475 189	12 464 957	11 359 471

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

5. CHANGES IN NET MARKET VALUES

	Group 2011 \$'000	Group 2010 \$'000	Scheme 2011 \$'000	Scheme 2010 \$'000
(a) Investments held at 30 June:				
Money market securities				
Australian	4 976	7 345	-	-
International	(112)	(1 474)	-	-
Fixed interest securities				
Australian	2 689	(1 635)	-	-
International	(142 172)	(1 973)	-	-
Equity investments				
Equity securities - Australian	(10 273)	(77 358)	-	-
Equity securities - International	(48 402)	54 606	-	-
Unlisted Australian trusts	(8 420)	114 884	-	-
Unlisted Australian controlled trusts	-	-	824 056	1 026 575
Unlisted international trusts	(137 100)	53 567	-	-
Property investments				
Unlisted Australian trusts	12 128	(85 312)	-	-
Investment Properties - Australian	37 536	27 124	-	-
Derivatives contracts				
Forward currency	123 972	(292 885)	-	-
Options - Australian	(37 693)	16 451	-	-
Options - International	8	(441)	-	-
Futures - Australian	767	(2 043)	-	-
Futures - International	93	(348)	-	-
Total change in net market values	(202 003)	(189 492)	824 056	1 026 575

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

5. CHANGES IN NET MARKET VALUES (continued)

	Group	Group	Scheme	Scheme
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
(b) Investments realised during the year:				
Money market securities	32 209	55 699	-	-
Australian fixed interest securities	(63 259)	(14074)	-	-
International fixed interest securities	(70 263)	(9 161)	-	-
Australian equity securities and unlisted trusts	144 817	487 420	-	-
Unlisted Australian controlled trusts - equity securities	-	-	1 429	773
International equity securities and unlisted trusts	(28 385)	57 748	-	-
Forward currency	850 784	711 456	-	-
Options	1 529	(852)	-	-
Futures	9 504	(36 261)	-	-
	876 936	1 251 975	1 429	773
(c) Total changes in net market values of investments	674 933	1 062 483	825 486	1 027 348

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

6. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions

Members contribute to the Scheme at optional rates ranging from 0% - 10% (2010: 0% - 10%) of salary paid to the member.

Employer Contributions

Employers who do not operate their own productivity schemes contribute employer (productivity) contributions to the Scheme on a sliding scale averaging 3% (2010: 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

For the financial year ended 30 June 2011, the Commonwealth Government contributes \$1.00 for every \$1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of \$1 000 per member for each financial year. For the financial year ended 30 June 2010, the Commonwealth Government contributed \$1.00 for every \$1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of \$1 000 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.

Of the total benefits payable as at 30 June 2011, \$0.309 million (2010: \$0.226 million) is payable by the Consolidated Revenue Fund. The Commonwealth is the corresponding debtor for this amount in accordance with the funding arrangements described above.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

6. FUNDING ARRANGEMENTS (continued)

(b) Benefits (continued)

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

	Scheme 2011 \$'000	Scheme 2010 \$'000
Gross Appropriation from Consolidated Revenue Fund	906 853	725 769
less: Transfers from PSS Fund to Consolidated Revenue Fund	(499 924)	(379 268)
Net Appropriation	<u>406 931</u>	<u>1105 037</u>
Consolidated Revenue Fund		
Lump-sum benefits	391 634	309 861
Pensions	515 219	415 908
	<u>906 853</u>	<u>725 769</u>
PSS Fund		
Lump-sums	17 531	11 376
Total benefits paid	<u>924 384</u>	<u>737 145</u>

(c) Costs of administration

Costs of and incidental to the management and investment of the PSS Fund 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of administration (continued)

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

	Group 2011 \$'000	Group 2010 \$'000	Scheme 2011 \$'000	Scheme 2010 \$'000
Investment managers	42 379	37 440	-	-
Custodian	3 360	6 494	-	-
Investment consultants	6 289	7 624	-	-
Borrowing costs	3 312	7 859	-	-
Other investment expenses	37 594	37 700	-	-
Total direct investment expenses	92 934	97 117	-	-
General administration	20 721	14 769	-	-
	113 655	111 886	-	-
Less:				
Minority interest in controlled entities	(42 200)	(41 718)	-	-
Total costs met by the Scheme	71 455	70 168	-	-

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

The *Superannuation Act 1990* requires ComSuper to assist the Trustee in performing its member administration responsibilities in relation to the Scheme. The expenses of ComSuper are met by government appropriation and a share of the administrative fees paid to ComSuper by employing agencies. The remaining share of administrative fees is paid to the Trustee to meet 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 the Trustee and ComSuper.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of administration (continued)

Scheme administration costs met by sponsoring employers are as follows:

	Scheme 2011 \$'000	Scheme 2010 \$'000
Trustee costs	2 133	2 284
ComSuper costs	28 051	28 252
Total	30 184	30 536

7. INCOME TAX

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

	Group 2011 \$'000	Group 2010 \$'000	Scheme 2011 \$'000	Scheme 2010 \$'000
Tax expense comprises:				
Current tax expense	174 811	179 682	34 092	33 831
Adjustments recognised in the current year in relation to the current tax of prior years	(26 382)	(33 964)	-	-
Adjustments recognised in the current year in relation to the deferred tax of prior years	11 901	(4 770)	-	-
Write back of Deferred Tax Assets	-	(65 042)	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	(17 184)	27 351	(5)	21
Total tax expense/(credit)	143 146	103 257	34 087	33 852

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

7. INCOME TAX (continued)

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

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:

	Group 2011 \$'000	Group 2010 \$'000	Scheme 2011 \$'000	Scheme 2010 \$'000
Increase in net assets for the year before income tax	1 714 061	2 095 639	1 119 900	1 436 593
Income tax expense calculated at 15%	257 109	314 346	167 985	215 489
Add (less) permanent differences - items not assessable or deductible				
<i>Employee contributions</i>	(87 693)	(86 132)	(87 693)	(86 132)
<i>Benefits paid</i>	138 658	110 572	138 658	110 572
<i>Appropriation from CRF</i>	(61 040)	(51 975)	(61 040)	(51 975)
<i>Investment revenue already taxed</i>	3 841	(9 110)	(123 823)	(154 102)
<i>Other</i>	(3 284)	4 941	-	-
<i>Imputation credits from franked dividends received</i>	16 099	7 838	-	-
<i>Foreign Tax Credits</i>	1 022	646	-	-
<i>Indexation on realised capital gains</i>	-	8	-	-
<i>Discount on realised capital gains</i>	-	(24 165)	-	-
Imputation and foreign tax credits	(115 569)	(57 847)	-	-
Adjustment to recognise losses at 10%	879	(2 282)	-	-
Loss Reduction Factor 2010	(39 989)	-	-	-
Loss Reduction Factor 2011	47 327	-	-	-
Tax refunds from amended assessments	(1 343)	(1 690)	-	-
Write back of deferred tax benefits from current and past years	-	(65 042)	-	-
Deferred franking credit movement gross-up	214	193	-	-
Adjustment to recognise closing accruals at 10%	1	-	-	-
Expense not deductible	35	-	-	-
Reversal in Accounting to Tax difference for 30 June 2010 Expenses	15	-	-	-
(Over) provision of income tax in previous year	(13 136)	(37 044)	-	-
Total tax expense/(credit)	143 146	103 257	34 087	33 852

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

7. INCOME TAX (continued)

	Group	Group	Scheme	Scheme
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'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 or written off from past years is:

	-	4 918	-	-

(b) Current tax assets

Current tax receivable:

Income tax receivable

	-	3	-	-

(c) Current tax liabilities

Current tax payables:

Income tax payable

	174 559	75 571	33 840	33 347

(d) Deferred tax balances

Deferred tax assets comprise:

Temporary differences

	120 072	114 795	-	-

Deferred tax liabilities comprise:

Temporary differences

	30	35	30	35

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

7. INCOME TAX (continued)

(d) Deferred tax balances (continued)

Taxable and deductible temporary differences arise from the following:

2011	Group				
	Opening balance	Charged to income	Acquisition / disposal	Exchange differences	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:					
Other	35	(5)	-	-	30
	<u>35</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>30</u>
Gross deferred tax assets:					
Accounts payable	1 200	120	-	-	1 320
Tax losses	113 595	5 157	-	-	118 752
	<u>114 795</u>	<u>5 277</u>	<u>-</u>	<u>-</u>	<u>120 072</u>
	<u>(114 760)</u>	<u>(5 282)</u>	<u>-</u>	<u>-</u>	<u>(120 042)</u>
2010	Group				
	Opening balance	Charged to income	Acquisition / disposal	Exchange differences	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:					
Other	15	20	-	-	35
	<u>15</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>35</u>
Gross deferred tax assets:					
Accounts payable	1 196	4	-	-	1 200
Tax losses	71 117	42 478	-	-	113 595
	<u>72 313</u>	<u>42 482</u>	<u>-</u>	<u>-</u>	<u>114 795</u>
	<u>(72 298)</u>	<u>(42 462)</u>	<u>-</u>	<u>-</u>	<u>(114 760)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

7. INCOME TAX (continued)

(d) Deferred tax balances (continued)

2011	Scheme				
	Opening balance	Charged to income	Acquisition / disposal	Exchange differences	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:					
Other	35	(5)	-	-	30
	<u>35</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>30</u>
Gross deferred tax assets:					
Accounts payable	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>35</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>30</u>
2010	Scheme				
	Opening balance	Charged to income	Acquisition / disposal	Exchange differences	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross deferred tax liabilities:					
Other	15	20	-	-	35
	<u>15</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>35</u>
Gross deferred tax assets:					
Accounts payable	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>15</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>35</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

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

Certain former contributors to the Commonwealth Superannuation Scheme (CSS) who again become members of the Commonwealth Scheme are entitled to elect to transfer to the Public Sector Superannuation Scheme (PSS). There were no elections made during the year ended 30 June 2011 (2010: nil elections).

During the 2009-10 financial year \$306 653 was transferred from CSS to PSS as a result of elections made in a prior year.

9. OTHER RECEIVABLES

	Group	Group	Scheme	Scheme
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Interest receivable	40 108	31 446	200	236
Dividends and distributions receivable	75 265	60 364	-	-
Tax reclaim receivable	1 569	996		
Goods and services tax recoverable	909	1 035	-	-
Other	15 133	6 272	-	-
	132 984	100 113	200	236

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

10. OTHER PAYABLES

	Group	Group	Scheme	Scheme
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Investment expenses payable	8 867	8 313	-	-
Accrued expenses	11 217	10 290	-	-
Other liabilities	11 580	15 346	864	972
	31 664	33 949	864	972

11. BORROWINGS

	Group	Group	Scheme	Scheme
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
(a) Borrowings				
Current				
Cash advance facility	-	150 100	-	-
Total	-	150 100	-	-
(b) Borrowing facilities				
Unsecured cash advance facility				
Amount used	-	150 100	-	-
Amount unused	-	49 900	-	-
Total	-	200 000	-	-

The group had no cash advance facilities at 30 June 2011. In 2010, the group controlled entities ARIA Property Fund and PSS/CSS A Property Trust (see Note 19), had cash advance facilities of \$100 million and \$100 million respectively with an Australian bank. The facilities were repaid on 11 November 2010 and were unsecured.

The CSS/PSS A Property Trust also has a bank guarantee to the value of \$0.045m.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

12. AUDITOR'S REMUNERATION

	Group	Group	Scheme	Scheme
	2011	2010	2011	2010
	\$	\$	\$	\$

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

Financial statements and regulatory returns	448 069	417 114	81 930	78 270
Combined Risk Management Plan and Strategy	15 070	12 129	7 535	6 065
Total	463 139	429 243	89 465	84 335

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

	81 387	60 845	-	-
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Value of non-audit services provided by Deloitte:

Tax services - international	7 534	8 621	-	-
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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.

Audit services for the financial statements and APRA forms of the Scheme were received free of charge. The audit fees for the Combined Risk Management Strategy and Plan were charged against assets of ARIA Investments Trust that are referable to the Scheme.

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

PriceWaterhouseCoopers provided audit assurance on the existence and valuation of certain investments of the group. The fees for those services are included above in the amounts paid or payable to other auditors for the audit of group entities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

13. 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:

	Scheme 2011 \$'000	Scheme 2010 \$'000
Total surcharge liability outstanding at start of year	42 266	45 478
Changes in unpaid assessments	12	(2 282)
Interest on outstanding surcharge liabilities at end of year	2 044	2 054
	44 322	45 250
Less: Amounts paid by members and Consolidated Revenue Fund	(3 128)	(2 984)
Total surcharge liability outstanding at end of year	41 194	42 266

The surcharge tax on contributions ceased on 1 July 2005; assessments relating to periods prior to this date continue to be received by the Scheme.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

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. Investments in real property are not financial assets within the scope of AASB 7 *Financial Instruments: Disclosures*, and therefore are excluded from reporting in the following note to the financial statements.

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'). AIT is a pooled superannuation trust which is also governed by the Trustee. This type of investment has been determined by the Trustee to be appropriate for the Scheme and is in accordance with the Schemes' published investment strategy. The Trustee 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 3 to the financial statements.

(c) Capital risk management

The RSE license of the Trustee of the Scheme 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 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 Statement of Changes in Net Assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

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.

The Trustee ensures that there is an effective risk management control framework in place for the Group. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a combined Risk Management Strategy and Plan (RMSP) 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 Investment Policy manual and the 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 the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Group and is in accordance with its investment strategy.

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

(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. The Trustee 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(f) Credit risk (continued)

The largest exposure to a single counterparty is to the investment custodian JP Morgan. The Trustee's listed international equities and listed fixed interest securities are held in the name of JP Morgan. The exposure to JP Morgan is managed through contractual indemnity arrangements.

Other than the Custodian, the Group does not have any significant exposure to any single counterparty. No individual exposure exceeds 5% of net assets at either 30 June 2011 or 30 June 2010.

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 (2010: 3 months).

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

	Group		Scheme	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Investments				
Cash and cash equivalents	661 474	578 757	-	-
Money market investments	812 031	1 370 282	-	-
Fixed interest investments	2 565 275	2 144 377	-	-
Equity investments	12 815 274	11 608 234	12 464 957	11 359 471
Property investments	649 638	956 623	-	-
Derivative financial assets	44 829	(47 779)	-	-
Other financial assets				
Trade settlements receivable	391 830	82 621	-	-
Other receivables	132 984	100 113	200	236
	18 073 335	16 793 228	12 465 156	11 359 707

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

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 liabilities and member benefit payments.

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities and member benefit payments. The Scheme allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Trustee 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 (plus or minus a 10 percentage point rebalancing range). Regular scenario testing is performed to confirm the validity of the strategy.

There has been no change to the Group's exposure to liquidity risk or the manner of management of the risk during the reporting period.

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.

2011	<u><3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>> 5 years</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
Vested benefits (i)	54 136 000	-	-	-	54 136 000
Benefits payable	19 055	-	-	-	19 055
Trade and other payables	142 600	-	-	-	142 600
Borrowings	-	-	-	-	-
Derivative financial liabilities	44 829	-	-	-	44 829
Deferred tax liabilities	-	-	30	-	30
	<u>54 342 484</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>54 342 514</u>
Scheme					
Vested benefits (i)	54 136 000	-	-	-	54 136 000
Benefits payable	19 055	-	-	-	19 055
Trade and other payables	864	-	-	-	864
Current tax liabilities	-	33 840	-	-	33 840
Deferred tax liabilities	-	-	30	-	30
	<u>54 155 919</u>	<u>33 840</u>	<u>30</u>	<u>-</u>	<u>54 189 789</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (Continued)

(g) Liquidity risk (continued)

2010	<3 months	3-12 months	1-5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Group</u>					
Vested benefits (i)	48 851 000	-	-	-	48 851 000
Benefits payable	13 877	-	-	-	13 877
Trade and other payables	308 323	-	-	-	308 323
Borrowings	-	150 100	-	-	150 100
Derivative financial liabilities	-	-	-	-	-
Current tax liabilities	-	-	35	-	35
Deferred tax liabilities	-	-	15	-	15
	<u>49 173 201</u>	<u>150 100</u>	<u>50</u>	<u>-</u>	<u>49 323 351</u>
<u>Scheme</u>					
Vested benefits (i)	48 851 000	-	-	-	48 851 000
Benefits payable	13 877	-	-	-	13 877
Trade and other payables	972	-	-	-	972
Current tax liabilities	-	33 347	-	-	33 347
Deferred tax liabilities	-	-	35	-	35
	<u>48 865 850</u>	<u>33 347</u>	<u>35</u>	<u>-</u>	<u>48 899 232</u>

(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 the Trustee's investment policies and the RMSP.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

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 Group's investments in securities denominated in foreign currencies create exposures to exchange rate fluctuations. The Trustee enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from the Group's investments denominated in developed markets foreign currencies thereby neutralising some of the gains and losses from currency fluctuation. A small part of the investments of the Group, relating to emerging markets, remains unhedged due to lack of suitable currency instruments for hedging. The Trustee's currency hedging policy was changed in 2009, when the Trustee determined that some strategic currency exposures could be adopted.

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 hold foreign currency denominated assets or liabilities directly.

	US A\$'000	Japanese Yen A\$'000	European Euros A\$'000	British Pounds A\$'000	Other Currencies A\$'000	Total A\$'000
2011						
Financial assets	5 183 578	318 075	1 185 278	527 514	1 176 403	8 390 848
Financial liabilities	(106 554)	(1 746)	(73 777)	(9 223)	(25 309)	(216 609)
Gross amounts	5 290 132	319 821	1 259 055	536 737	1 201 712	8 607 457
Forward foreign	(2 052 718)	(144 985)	(644 825)	(258 927)	(47 996)	(3 149 451)
Net exposure (excess hedge)	3 237 414	174 836	614 230	277 810	1 153 716	5 458 006
Net market value of forward foreign exchange contracts						24 919

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Foreign currency risk (continued)

	US A\$'000	Japanese Yen A\$'000	European Euros A\$'000	British Pounds A\$'000	Other Currencies A\$'000	Total A\$'000
2010						
Financial assets	4 798 637	474 152	960 766	456 066	770 209	7 459 830
Financial liabilities	357 212	28 089	24 453	14 035	10 416	434 205
Gross amounts	4 441 425	446 063	936 313	442 031	759 793	7 025 625
Forward foreign	(3 100 851)	(373 418)	(777 168)	(327 432)	(245 334)	(4 824 203)
Net exposure (excess hedge)	1 340 574	72 645	159 145	114 599	514 459	2 201 422

Net market value of forward foreign exchange contracts **(100 058)**

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 hold foreign currency denominated assets or liabilities directly. 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 and is applied to the net currency exposure ie net of the currency hedging.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (Continued)

(h) Market risk (Continued)

Foreign currency sensitivity (continued)

2011		- 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	15%	571 308	571 308	(422 271)	(422 271)
Japanese Yen	15%	30 853	30 853	(22 805)	(22 805)
European Euros	15%	108 394	108 394	(80 117)	(80 117)
British Pounds	15%	49 025	49 025	(36 236)	(36 236)
Other currencies	15%	203 597	203 597	(150 485)	(150 485)
		963 177	963 177	(711 914)	(711 914)

2010		- 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	14%	218 233	218 233	(164 632)	(164 632)
Japanese Yen	14%	11 826	11 826	(8 921)	(8 921)
European Euros	14%	25 907	25 907	(19 544)	(19 544)
British Pounds	14%	18 656	18 656	(14 074)	(14 074)
Other currencies	14%	83 749	83 749	(63 179)	(63 179)
		358 371	358 371	(270 350)	(270 350)

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 2011 and 30 June 2010 had a maturity profile of less than one month.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate risk (continued)

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. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and use of a range of specialist investment sector managers who 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 independently of the Trustee in a 100% owned entity under third-party trusteeship and management. 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.

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

30 June 2011	Variable Interest Rate Instruments \$'000	Fixed Interest Rate Instruments \$'000	Non Interest Bearing \$'000	Total \$'000
<u>Group</u>				
Assets				
Cash and cash equivalents	661 474			661 474
Money market investments	812 031			812 031
Fixed interest investments		2 565 275		2 565 275
Equity investments			12 815 274	12 815 274
Property investments			649 638	649 638
Derivatives contracts			44 829	44 829
Trade and other receivables			524 814	524 814
Liabilities				
Benefits payable			(19 055)	(19 055)
Trade and other payables			(110 936)	(110 936)
Accrued expenses			(31 664)	(31 664)
Total	1 473 505	2 565 275	13 872 900	17 911 680

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate risk (continued)

30 June 2011	Variable Interest Rate Instruments \$'000	Fixed Interest Rate Instruments \$'000	Non Interest Bearing \$'000	Total \$'000
<u>Scheme</u>				
Assets				
Cash and cash equivalents	68 956			68 956
Equity investments			12 464 957	12 464 957
Trade and other receivables			200	200
Liabilities				
Trade and other payables			(864)	(864)
	68 956	-	12 464 293	12 533 249

30 June 2010	Variable Interest Rate Instruments \$'000	Fixed Interest Rate Instruments \$'000	Non Interest Bearing \$'000	Total \$'000
<u>Group</u>				
Assets				
Cash and cash equivalents	578 757			578 757
Money market investments	1 370 282			1 370 282
Fixed interest investments		2 144 377		2 144 377
Equity investments			11 608 234	11 608 234
Property investments			956 623	956 623
Derivatives contracts			(47 779)	(47 779)
Trade and other receivables			182 734	182 734
Liabilities				
Benefits payable			(13 877)	(13 877)
Trade and other payables			(274 374)	(274 374)
Accrued expenses			(33 949)	(33 949)
Borrowings		(150 100)		(150 100)
Total	1 949 039	1 994 277	12 377 611	16 320 927

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate risk (continued)

30 June 2010	Variable Interest Rate Instruments \$'000	Fixed Interest Rate Instruments \$'000	Non Interest Bearing \$'000	Total \$'000
<u>Scheme</u>				
Assets				
Cash and cash equivalents	83 118			83 118
Equity investments			11 359 471	11 359 471
Trade and other receivables			236	236
Liabilities				
Trade and other payables			(972)	(972)
Total	83 118	-	11 358 734	11 441 853

Interest rate sensitivity

The following table illustrates the Scheme and Group's sensitivity to a 1.75% p.a. (2010: 1.5% 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 1.75% p.a. (2010: 1.5% 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	\$'000	\$'000
2011							
Exposure	+/-1.75%	(136 997)	136 997	(136 997)	136 997		
2010							
Exposure	+/-1.5%	(120 335)	120 335	(120 335)	120 335		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate sensitivity (continued)

Scheme	Change in interest rate	Net operating income attributable to unitholders		Net assets attributable to unitholders	
		\$'000	\$'000	\$'000	\$'000
2011					
Exposure	+/-1.75%	(1 207)	1 207	(1 207)	1 207
2010					
Exposure	+/-1.5%	(1 247)	1 247	(1 247)	1 247

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

Other price risk

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 investments 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.

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

Other price risk sensitivity

The following table illustrates 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, calculated by the Trustee's enterprise wide risk system and appropriate for the risk horizon adopted by the Trustees. For unlisted investments, a volatility factor from an economically equivalent quoted sector has been applied. 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 1.75% (2010: 1.5%) is applied.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk sensitivity (continued)

Had market prices been higher or lower at the reporting date by the volatility factors shown below, and all other variables were held constant, the financial result would have improved or deteriorated as follows:

		Group			
Change in price		Net operating income attributable to unitholders		Net assets attributable to unitholders	
2011	2010	2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
+/-		+/-	+/-	+/-	+/-
Equity securities					
Australian		18%	20%	772 058	745 841
International		18%	19%	736 961	623 406
Unlisted equity securities					
Australian		18%	28%	494 840	618 320
International		9%	14%	189 582	325 626
Unlisted property securities					
Australian		12%	11%	79 806	100 956
Derivative contracts					
Options		18%	20%	3 314	3 314
Futures		18%	20%	(616)	(616)

		Scheme			
Change in price		Net operating income attributable to unitholders		Net assets attributable to unitholders	
2011	2010	2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
+/-		+/-	+/-	+/-	+/-
Unlisted equity securities					
Cash option		1.75%	1.5%	473	435
Default option		7%	8%	870 653	906 435

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurement

The Schemes' and Groups' financial instruments, as disclosed in Note 14(d) above, are included in the Statement of Financial Position at net market value that approximates fair value. The net market value is determined per accounting policies disclosed in Note 3(a).

Net market value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the Groups' and Schemes' financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: net market value measurements are those derived from quoted prices in active markets.

Level 2: net market value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: net market value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. The investments included in this classification comprise Private Equity Funds and Unlisted Trusts that are valued in accordance with policy set out in Note 3(b) vi and 3(b) vii.

Group

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2011				
Assets				
Cash and cash equivalents	661 474	-	-	661 474
Money market investments	812 031	-	-	812 031
Fixed interest investments	1 907 175	658 100	-	2 565 275
Equity investments	9 194 264	2 330 943	1 290 067	12 815 274
Property investments	212 357	-	437 281	649 638
Derivatives contracts	20 841	24 919	-	45 760
Liabilities				
Derivative contracts	(931)	-	-	(931)
	12 807 211	3 013 962	1 727 348	17 548 521

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurement (continued)

Scheme				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2011				
Financial Assets				
Pooled superannuation trusts	-	12 464 957	-	12 464 957

Group				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2010				
Assets				
Cash and cash equivalents	578 757			578 757
Money market investments	1 370 282			1 370 282
Fixed interest investments	1 700 908	443 469	-	2 144 377
Equity investments	8 068 762	2 326 310	1 213 162	11 608 234
Property investments	180 540	-	776 083	956 623
Derivatives contracts	52 279	-	-	52 279
Liabilities				
Derivative contracts	-	(100 058)	-	(100 058)
	11 951 528	2 669 721	1 989 245	16 610 494

Scheme				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2010				
Financial Assets				
Pooled superannuation trusts	-	11 359 471	-	11 359 471

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued using daily published prices. These prices are based on the latest listed and unlisted market prices of the underlying investments, less any tax and expenses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurement (continued)

Reconciliation of Level 3 net market value measurements of Assets

The following table shows the movements for the year into and out of the Level 3 category of valuation:

Group			
	Equity investments \$'000	Property investments \$'000	Total \$'000
2011			
Opening balance	1 213 162	776 083	1 989 245
Purchases	268 516	-	268 516
Sales	(1 019)	(350 347)	(351 366)
Unrealised gains (losses)	18 073	11 545	29 618
Transferred into (out of) level 3	(208 665)	-	(208 665)
Reclassification			-
Closing balance	1 290 067	437 281	1 727 348

Group			
	Equity investments \$'000	Property investments \$'000	Total \$'000
2010			
Opening balance	1 062 978	809 723	1 872 701
Purchases	330 723	48 416	379 139
Sales	(169 689)	(1 713)	(171 402)
Unrealised gains (losses)	(10 850)	3 975	(6 875)
Transferred into (out of) level 3	-	(84 318)	(84 318)
Reclassification			-
Closing balance	1 213 162	776 083	1 989 245

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

15. SCHEME UNALLOCATED INCOME

Monthly earnings are allocated to members each month-end, or for part of a month on contributions made during a month or where a member exits the Scheme during a month.

	Scheme 2011 \$'000	Scheme 2010 \$'000
Opening balance of unallocated income	78 646	(26 921)
Add/Less: Adjustments for estimates	-	17
Add: Earnings of Fund for the year	827 809	1028 782
Less: Earnings allocation to members' accounts	(841 585)	(923 232)
Closing balance of unallocated income	<u>64 870</u>	<u>78 646</u>

The closing balance is approximately 0.52% (2010: 0.69%) of the members' funded entitlements as at the 30 June 2011. Unallocated income materially represents the difference between investment valuations applied in daily earnings rates and the confirmed investment values published in these financial statements.

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.

The actuarial estimate of vested benefits at 30 June 2011 is \$54.1 billion (2010: \$48.9 billion). The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2011 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

16. SCHEME VESTED BENEFITS (continued)

	Scheme 2011 \$billion	Scheme 2010 \$billion
The vested benefits amount is made up of:		
Funded component	12.5	11.4
Unfunded component	41.6	37.5
	<u>54.1</u>	<u>48.9</u>

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

Funded component	12.5	11.4
Net assets plus funded benefits payable	12.5	11.4
Surplus (deficiency)	<u>-</u>	<u>-</u>

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

17. SCHEME LIABILITY FOR ACCRUED BENEFITS (continued)

	Scheme 2008 \$billion	Scheme 2005 \$billion
Accrued benefits as at 30 June were:		
Funded component	11.4	11.4
Unfunded component	20.9	20.9
	<u>32.3</u>	<u>32.3</u>

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

Funded accrued benefits	11.4	11.4
Net assets plus funded benefits payable	11.4	11.4
Surplus (deficiency)	<u>-</u>	<u>-</u>

18. RELATED PARTIES

(a) Trustee

Australian Reward Investment Alliance (ARIA) acted as Trustee throughout the year ended 30 June 2011. The Trustee name was changed to the Commonwealth Superannuation Corporation (CSC) on 1 July 2011.

(b) Board Members

The trustees throughout the year ended 30 June 2011 were:

Tony Cole (appointed 4 May 2011)
 Brian Daley (term ended 30 June 2011)
 Peter Feltham
 Margaret Gillespie (resigned 13 May 2011)
 Winsome Hall
 Tony Hyams (Chairman)
 David Irons
 Dennis Trewin (term ended 30 June 2011)

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. In that capacity Mr Irons attended one meeting of the Board of Trustees during 2010-11.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

18. RELATED PARTIES (continued)

(b) Board Members (continued)

The directors of CSC from 1 July 2011 to the date of this report were:

Tony Cole	Peter Cosgrove
Peter Feltham	Nadine Flood
Peggy Haines	Winsome Hall
Tony Hyams (Chairman)	John McCullagh
Gabriel Szondy	Michael Vertigan

(c) Key management personnel compensation

In addition to the Trustees listed in note 14(b) above, the following executives of the Trustee had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2011:

Helen Ayres	Senior Executive, Trustee & Business Services
Peter Carrigy-Ryan	Acting Chief Executive Officer from 30 September 2010 and Chief Operating Officer
Lochiel Crafter	Chief Executive Officer (resigned 30 September 2010)
Leonie McCracken	Senior Executive, Operations
Bronwyn McNaughton	Senior Executive, Legal & Risk
Alison Tarditi	Chief Investment Officer
Kevin Thompson	Senior Executive, Finance & Technology
Christine Pearce	Senior Executive, Member & Employer Services (appointed 23 May 2011)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

18. RELATED PARTIES (continued)

(c) Key management personnel compensation (continued)

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

	Group 2011 \$	Group 2010 \$	Scheme 2011 \$	Scheme 2010 \$
Short-term employee benefits	2 572 470	2 320 720	868 666	782 191
Post-employment benefits	244 742	312 574	82 644	105 352
Other long-term benefits	27 352	144 014	9 236	48 540
Termination benefits	-	-	-	-
Share-based payment	-	-	-	-
	<u>2 844 564</u>	<u>2 777 308</u>	<u>960 546</u>	<u>936 083</u>

Aggregate compensation is a pro-rata apportionment of the overall compensation paid by the Trustee, 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 2011 \$'000	Net Market Value of Investment 2010 \$'000	Share of Net Income after tax 2011 \$'000	Share of Net Income after tax 2010 \$'000
<u>Controlled Entities</u>				
ARIA Investments Trust	12 464 957	11 359 471	824 056	1026 575
	<u>12 464 957</u>	<u>11 359 471</u>	<u>824 056</u>	<u>1026 575</u>

All transactions are conducted under normal industry terms and conditions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

19. GROUP ENTITIES

Name of Entity	Country of domicile	Proportion of ownership	
		at 30 June 2011 %	at 30 June 2010 %
<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	61
<u>Entities controlled by ARIA Investments Trust:</u>			
PSS/CSS Investment Trust	Australia	100	100
CFM Australian Equities Fund	Australia	100	100
Commonwealth Funds Management Limited			
Pooled Superannuation Trust ¹	Australia	-	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
Property Management Trust	Australia	100	-
<u>Entities controlled by ARIA Alternative Assets Trust:</u>			
Loomis Sayle Senior Loan Fund	Australia	77	82
Schroder Real Return Fund ²	Australia	39	60

1. The commonwealth Funds Management Limited Pooled Superannuation Trust was wound up as of 30 June 2010.

2. ARIA Alternative Assets Trust ceased to hold a controlling interest in Schroder Real Return Fund during 2010-11.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

20. 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
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Within 12 months	26 728	33 917	-	-
Greater than 12 months but less than 5 years	110 624	88 067	-	-
Greater than 5 years	760 070	984 093	-	-
	897 422	1 106 077	-	-

(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 2011 (2010: \$nil).

(c) Contingent assets

The Scheme and Group had no contingent assets at 30 June 2011 (2010: \$nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2011

21. SUBSEQUENT EVENTS

The name of the Trustee of the Scheme, Australian Reward Investment Alliance (ARIA) was changed on 1 July 2011 to Commonwealth Superannuation Corporation (CSC). This change has not materially affected the operations of the Scheme or the results of those operations.

Since 30 June 2011, markets have experienced a period of significant volatility, impacting on the valuation of the Scheme's investment portfolio. As the investments shown in these financial statements are measured at their 30 June 2011 values, this volatility in value is not reflected in the statement of net assets or the statement of changes in net assets. As the Scheme allocates all of its investment income to members, the volatility in the value of investments since 30 June 2011 has been reflected in the unit prices for the Scheme's default investment option since that date.

No other matters have arisen since 30 June 2011 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.

MERCER

AMK MARSH MERCER KIDD
GUY CARPENTER OLIVER WYMAN

**Information Required for Purposes of Australian
Accounting Standard AAS 25 Relating to the
Actuarial Valuation of the
Public Sector Superannuation Scheme
as at 30 June 2008**

Purpose of Report

This statement has been prepared for the purposes of AAS 25 as at 30 June 2008 for the Public Sector Superannuation Scheme at the request of the Australian Reward Investment Alliance (ARIA).

This extract summarises the actuarial valuation of the Scheme as at 30 June 2008 carried out by Mercer (Australia) under the advice of Martin Stevenson FIAA, FIA and Darren Wickham FIAA. It has been prepared for the purposes of inclusion with the Scheme Accounts and is in a form that complies with the Australian Accounting Standard AAS 25.

Accrued and Vested Benefits

AAS 25 requires the disclosure of Accrued and Vested benefits at the reporting date.

For the purpose of AAS 25 the following amounts have been determined:

Reporting Date	Accrued Benefits \$billion	Vested Benefits \$billion
30 June 2008	32.3	39.4

Accrued Benefits have been determined as the present value of expected future benefit payments that arise from membership of the PSS up to the reporting date.

Vested Benefits are benefits which the PSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elected the benefit option which is most costly to the Scheme.

The method and assumptions used to determine Accrued and Vested Benefits are summarised in Attachment 1 to this statement.

Accrued Benefits have been calculated in a manner consistent with Guidance Note 454 and Professional Standard 402 issued by the Institute of Actuaries of Australia.

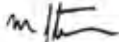
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Consulting. Outsourcing. Investments.

Page 2

Review of Actuarial Report

AAS 25 also requires the notes to the Scheme accounts to include a summary of the most recent actuarial report of the PSS. Attachment 2 to this Statement provides a summary of the report on the Long Term Cost of the PSS and the Commonwealth Superannuation Scheme (CSS) carried out as at 30 June 2008. The summary has been prepared in accordance with Professional Standard 401 issued by the Institute of Actuaries of Australia and contains the information required under AAS 25.



Martin A Stevenson

Fellow of the Institute of Actuaries of Australia
Worldwide Partner, Mercer (Australia) Pty Ltd

June 2009



Darren Wickham

Fellow of the Institute of Actuaries of Australia
Principal, Mercer (Australia) Pty Ltd

June 2009

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Attachment 1 to AAS 25 Statement

Method of Determining Accrued and Vested Benefits

Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the PSS up to the date of calculation. The expected future benefits were determined allowing for future salary growth to the date of exit.

The approach used to apportion benefits between past and future membership involves an "actual accrual" or "Projected Unit Credit Method" (or PUCM) approach.

This involves determining the total benefit using:

$$\begin{array}{ccc} \text{Accrued Multiple} & & \text{Final Average Salary} \\ \text{(calculated using membership} & \times & \text{at future date} \\ \text{to the date of the valuation)} & & \end{array}$$

The benefit is then adjusted to be the unfunded benefit by deducting accumulated member and productivity contributions.

The method used to apportion benefits between past and future membership has changed since the statement as at 30 June 2005. The reason for the change in method was to bring the calculations into line with the Budget process and Australian Accounting Standards for employer reporting.

The past membership component of the member-financed lump sum benefits and of the productivity superannuation benefits is taken to be the accumulated amount of contributions and interest at the calculation date.

Vested Benefits are determined as the value of benefits which the PSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elect the benefit option which is most costly to the PSS.

Assumptions Used to Determine Accrued Benefits

The assumptions used to determine Accrued Benefits are the same as those used for the most recent actuarial investigation into the long term cost of the PSS and the CSS as at 30 June 2008. Therefore, the Accrued Benefit calculated for AAS 25 purposes is the same as that calculated for the purposes of the Long Term Cost Report.

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The financial assumptions used to determine the Accrued Benefits along with those used for the recent actuarial investigation are shown in the table below:

Item	AAS 25	Long Term Cost Report
CPI Increases	2.5% per annum	2.5% per annum
Investment Return	6.0% per annum	6.0% per annum
General Salary Increases	4.0% per annum	4.0% per annum

A summary of the other assumptions used is contained in Appendix B of the Long Term Cost Report of the PSS and the CSS.

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Attachment 2 to AAS 25 Statement

Summary of the Long Term Cost Report

The latest actuarial investigation into the long term cost of the PSS and CSS was conducted at 30 June 2008.

This attachment provides a summary of that report.

Membership Data

Data relating to the membership of the PSS and the CSS was provided by ComSuper, the Schemes' administrator, on behalf of ARIA, for the purposes of this investigation.

The table below summarises the total membership of the PSS as at 30 June 2008.

PSS MEMBERSHIP as at 30 JUNE 2008			
	Male	Females	Total
Number of Contributors	55,369	76,905	132,274
Salaries - Total	\$4,123 m	\$5,081 m	\$9,204 m
- Average	\$74,464	\$66,069	\$69,583
Number of Deferred Beneficiaries	42,331	61,297	103,628
Number of Age Pensioners	7,080	6,694	13,774
Number of Invalidity Pensioners	939	1,046	1,985
Number of Reversionary Pensioners	219	474	693

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The past membership component of the member-financed lump sum benefits and of productivity superannuation benefits is taken to be the accumulated amount of contributions and interest at the calculation date. An amount of \$11.4 billion has been included in the Accrued Benefit in respect of the member financed benefits and productivity superannuation benefits.

The Accrued Benefit also includes an amount of \$8.2 billion in respect of pensioners and preserved beneficiaries of the PSS.

Vested Benefits

Vested Benefits of the PSS were not calculated as a part of the Long Term Cost Report as at 30 June 2008 but were calculated separately.

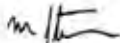
The estimated value of the Vested Benefits of the PSS as at 30 June 2008 is \$39.4 billion.

Vested Benefits are determined as the value of benefits which the PSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elected the benefit option which is most costly to the PSS.

Financial Condition

The PSS is a partially funded scheme. As a consequence, the value of Accrued Benefits and Vested Benefits is significantly more than the realisable value of Scheme assets at the same date.

However, the PSS operates under an underlying guarantee from the Commonwealth Government. Further, the investigation shows that the projected combined Commonwealth costs in respect of the PSS and CSS reduce as a percentage of projected Gross Domestic Product over the next 40 years.



Martin A Stevenson
Fellow of the Institute of Actuaries of Australia
Worldwide Partner, Mercer (Australia) Pty Ltd

June 2009



Darren Wickham
Fellow of the Institute of Actuaries of Australia
Principal, Mercer (Australia) Pty Ltd

June 2009

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statements





PUBLIC SECTOR SUPERANNUATION ACCUMULATION PLAN (ABN 65127917725)

**INDEPENDENT REPORT BY THE APPROVED AUDITOR TO THE MINISTER FOR
FINANCE AND DEREGULATION AND MEMBERS OF THE PLAN**

(A) Financial Statements

I have audited the financial statements of the Public Sector Superannuation Accumulation Plan for the year ended 30 June 2011 which comprise the Statement of Financial Position as at 30 June 2011, the Operating Statement and Statement of Cash Flows for the year ended 30 June 2011, a Summary of Principal Accounting Policies and other explanatory notes.

Trustee's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Public Sector Superannuation Accumulation Plan and the Minister for Finance and Deregulation.

My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

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

GPO Box 107 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6263 7500 Fax (02) 6263 7777

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion:

- (i) the financial statements are in the form as agreed by the Minister for Finance and Deregulation in accordance with sub-section 26(1)(d) of the *Superannuation Act 2005*;
- (ii) the financial statements present fairly, in all material respects, in accordance with the Australian Accounting Standards, the financial position of the Public Sector Superannuation Accumulation Plan as at 30 June 2011 and the results of its operations and its cash flows for the year ended 30 June 2011;
- (iii) the financial statements are based on proper accounts and records; and
- (iv) the receipt of money into the Plan, and the payment of money out of the Plan and the investment of money standing to the credit of the Plan, during the year have been in accordance with s.26(2) of the *Superannuation Act 2005* and the Trust Deed.

AUSTRALIAN NATIONAL AUDIT OFFICE



Warren J. Cochrane
Group Executive Director

Delegate of the Auditor-General
Canberra

13 September 2011

Public Sector Superannuation Accumulation Plan (ABN 65 127 917 725)

Statement by the Trustee of the Public Sector Superannuation Accumulation Plan ('Plan')

The Trustee hereby states that in its opinion:

- (a) the attached financial statements of the Plan show a true and fair view of the matters required by Australian Accounting Standard 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 2010)* to the extent that the latter is not inconsistent with the former;
- (b) the attached financial statements of the Plan show a true and fair view of the financial position as at 30 June 2011, the operating result for the year ended 30 June 2011, and the cash flows for the year ended 30 June 2011;
- (c) at the date of this statement there are reasonable grounds to believe that the Plan 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 the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* 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 Plan were conducted in accordance with the *Superannuation Act 2005*, the Trust Deed establishing the Plan, 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 13th day of September 2011 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) (formerly Australian Reward Investment Alliance) as Trustee of the Plan:



Tony Hyams
Chairman

Winsome Hall
Director

Operating Statement
For the Year Ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Investment revenue			
Interest		6 091	3 024
Changes in net market values	4c	145 937	122 943
Total investment revenue		<u>152 028</u>	<u>125 967</u>
Contribution revenue			
Employer contributions		705 929	596 672
Member contributions		12 263	10 935
Transfers from other funds		149 032	116 719
Government co-contributions		1 484	2 824
Total contributions revenue	7a	<u>868 708</u>	<u>727 150</u>
Other revenue			
Insurance proceeds		12 832	8 992
Total other revenue		<u>12 832</u>	<u>8 992</u>
Total revenue		<u>1 033 568</u>	862 109
Expenses			
Insurance expense		23 135	23 100
Superannuation contributions (surcharge) tax		3	(6)
Total expenses		<u>23 138</u>	<u>23 094</u>
Benefits accrued as a result of operations before income tax		1 010 430	839 015
Income tax expense	8a	104 598	87 181
Benefits accrued as a result of operations after income tax		<u>905 832</u>	<u>751 834</u>

The attached notes form part of these financial statements.

**Statement of Financial Position
As at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
Investments			
Pooled superannuation trust		<u>2 762 802</u>	1 946 307
Total investments		<u>2 762 802</u>	1 946 307
Other assets			
Cash and cash equivalents	9a	120 450	101 853
Sundry debtors	5	521	473
Deferred tax asset	8c	240	470
Total other assets		<u>121 211</u>	102 796
Total assets		<u>2 884 013</u>	2 049 103
Liabilities			
Benefits payable		3 428	1 476
Sundry payables	6	2 068	3 523
Current tax liability	8b	104 414	87 446
Total liabilities		<u>109 910</u>	92 445
Net assets available to pay benefits		<u>2 774 103</u>	1 956 658
Represented by:			
Liability for accrued benefits			
Allocated to members' accounts		2 754 175	1 936 500
Not allocated to members' accounts	10a	19 928	20 158
Total liability for accrued benefits	10b	<u>2 774 103</u>	<u>1 956 658</u>

The attached notes form part of these financial statements.

Statement of Cash Flows
For the Year Ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Contributions received -			
Employer		705 929	596 672
Member		12 263	10 935
Transfers from other funds		149 032	116 719
Government co-contributions		1 484	2 824
Interest received		6 015	2 810
Insurance proceeds		12 824	8 939
Insurance expense paid		(24 590)	(21 284)
Superannuation contributions (surcharge) tax paid		(3)	6
Benefits paid		(86 435)	(53 866)
GST Paid		36	(36)
Income tax paid		(87 400)	(55 931)
Net cash inflows from operating activities	9b	<u>689 155</u>	<u>607 788</u>
Cash flows from investing activities			
Proceeds from sales of units in pooled superannuation trusts		52 441	40 822
Purchases of units in pooled superannuation trusts		(722 999)	(623 672)
Net cash outflows from investing activities		<u>(670 558)</u>	<u>(582 850)</u>
Net increase in cash held		18 597	24 938
Cash at the beginning of the financial year		101 853	76 915
Cash at the end of the financial year	9a	<u>120 450</u>	<u>101 853</u>

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

1. DESCRIPTION OF THE PLAN

The Public Sector Superannuation Accumulation Plan ('Plan') is a defined contribution scheme constituted by Trust Deed dated 29 June 2005 under the '*Superannuation Act 2005*' and is domiciled in Australia. The Trustee of the Plan is the Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243). The Trustee name was changed on 1 July 2011 from Australian Reward Investment Alliance (ARIA).

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

The principal place of business and registered office of the Plan is Level 8, 121 Marcus Clarke Street, Canberra ACT 2601.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of the Plan 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 2010)*, Accounting Standards and Interpretations, the *Superannuation Industry (Supervision) Act 1993* and provisions of the Trust Deed. Accounting Standards include Australian Accounting Standards and International Financial Reporting Standards ('IFRS') to the extent that they are not inconsistent with AAS 25 '*Financial Reporting by Superannuation Plans*'.

The form of these financial statements has been agreed by the Minister for Finance and Deregulation and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011*.

The financial statements of the Plan were authorised for issue by the Trustees on the 13th September 2011.

At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Plan were in issue but not yet effective. The Trustee anticipates the adoption of these Standards will have no material financial impact on the financial report of the Plan. The Trustee intends to adopt all of the standards upon their application date to the extent that they are not inconsistent with AAS 25 '*Financial Reporting by Superannuation Plans*'.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Standards on issue, not yet effective:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 124 'Related Party Disclosures (2009)' and AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments' and AASB 2009-11 'Consequential amendments to other accounting standards' resulting from its issue.	1 January 2013	30 June 2014
AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 January 2013	30 June 2014

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

Standards adopted this year:

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 2009-5 'Further amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

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

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

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 2011 and the comparative information presented in these financial statements for the year ended 30 June 2010.

(a) Assets

Assets are included in the Statement of Financial Position at net market value as at reporting date and movements in the net market value of assets are recognised in the Operating Statement in the periods in which they occur.

Financial assets (being investments in a pooled superannuation trust, cash at bank and sundry debtors) are recognised on the date the Plan 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)**(a) Assets (continued)**

Net market value means the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. As disposal costs are generally immaterial, net market value approximates fair value unless otherwise stated.

Net market values have been determined as follows:

(i) Pooled superannuation trust

Units in a pooled superannuation trust 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, reflecting the net market value of the underlying investments.

(ii) Sundry debtors

Sundry debtors are recognised at the amounts receivable. All amounts are unsecured and are subject to normal credit terms.

(b) Cash and Cash Equivalents

Cash comprises cash at bank and is used to transact contributions, transfers to and from other funds, benefit payments and tax liabilities.

(c) Financial liabilities

Financial liabilities (being benefits payable and sundry payables) 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 Operating Statement 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 Plan recognises financial liabilities on the date it becomes a party to the contractual provisions of the liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)**(c) Financial liabilities (continued)****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 Plan administrator ('ComSuper'), but payment had not been made by reporting date.

Sundry payables

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

(d) Foreign Currency Translation

The Plan does not undertake transactions denominated in foreign currencies.

(e) Use of Derivatives

The Plan does not enter into derivative financial instruments.

(f) 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 on an accrual basis.

Changes in the net market value of investments are recognised as income and are determined as the difference between the net market value (measured at fair value) at year end or consideration received (if sold during the year) and the net market value (measured at fair value) as at the prior year end or amount originally incurred (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 when cash is received.

Other revenue

Insurance claim amounts on a group life policy are recognised on a cash basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Insurance Premiums

Death and total & permanent disability insurance premiums are charged to member accounts on a monthly basis and then remitted to the life insurer in arrears.

(h) Superannuation Contributions (Surcharge) Tax

Amounts paid or payable in respect of the surcharge tax are recognised as an expense of the Plan. The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by CSC and are properly payable by the Plan. All amounts paid are allocated back against the member account to which the surcharge applies.

No estimate has been made for the balance of any tax payable in respect of surchargeable contributions received by the Plan on transfer of member entitlements from other superannuation funds as CSC 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*. The Plan commenced on 1 July 2005, therefore surcharge assessments received by PSSap relate to surchargeable contributions transferred in from other funds.

(i) Income Tax

Income tax on benefits accrued as a result of operations for the year comprises current and deferred tax. Income tax is recognised in the Operating Statement 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 period is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)**(i) Income Tax (continued)****Deferred tax**

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

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

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

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

Current and deferred tax for the period

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

(j) 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 ('ATO') as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, 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 ATO is included as an asset or liability in the Statement of Financial Position.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

4. CHANGES IN NET MARKET VALUE OF INVESTMENTS

	2011	2010
	\$'000	\$'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	144 342	120 639
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	1 595	2 305
(c) Total changes in net market values of investments	145 937	122 943

See note 14 for further details regarding the Plan's investments.

5. SUNDRY DEBTORS

	2011	2010
	\$'000	\$'000
Interest receivable	461	386
GST receivable	-	36
Insurance receivable	60	52
	521	473

All amounts are expected to be settled within one year of reporting date.

6. SUNDRY PAYABLES

	2011	2010
	\$'000	\$'000
Insurance premiums payable	2 068	3 523
	2 068	3 523

All amounts are expected to be settled within one year of reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

7. FUNDING ARRANGEMENTS**(a) Contributions****Employer Contributions**

Employers contribute at least 15.4% (2010: 15.4%) of employees superannuation salary to the Plan, subject to superannuation law.

Member Contributions

Members may make voluntary contributions to the Plan in the form of personal contributions (after tax). Alternatively, employers may make salary sacrifice contributions (before tax) to the Plan on behalf of members.

Transferring superannuation from other funds

Money invested in other superannuation funds can be rolled over to the Plan.

Spouse Contributions

Additional contributions can be made by a spouse on behalf of a member of the Plan.

Government Co-Contributions

For the financial year ended 30 June 2011, the Commonwealth Government contributes \$1.00 for every \$1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of \$1 000 per member for each financial year. For the financial year ended 30 June 2010, the Commonwealth Government contributed \$1.00 for every \$1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of \$1 000 per member for each financial year.

(b) Costs of Administration

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

7. FUNDING ARRANGEMENTS (continued)

(b) Costs of Administration (continued)

Expenses met by ARIA Investments Trust :

	2011	2010
	\$'000	\$'000
Administration	1 984	1 312
Investment		
Investment advisors	454	406
Investment managers	3 291	2 225
Custodian	472	557
Other	92	410
Total	6 293	4 910

The *Superannuation Act 2005* requires the Commissioner for Superannuation ('ComSuper') to assist the Trustee in performing its member administration responsibilities in relation to the Plan. The expenses of the Commissioner for Superannuation are met by government appropriation and a share of administrative fees paid by employing agencies. The remaining share of administrative fees is paid to the Trustee to fund its costs other than those incurred in managing and investing the assets of the Plan. Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of the Trustee and ComSuper.

Plan administration costs met by sponsoring employers are as follows:

	2011	2010
	\$'000	\$'000
Trustee costs	889	784
ComSuper costs	7 776	7 881
Total	8 665	8 665

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

8. INCOME TAX

Income tax in the Operating Statement represents the tax on the benefits accrued as a result of operations before income tax, adjusted for non-taxable and non-deductible amounts.

The tax effect of timing differences, which occur where items are allowed for income tax purposes in a period different from that in which they are recognised in the financial statements, is included in the deferred tax asset at current taxation rates.

The tax rate used in the reconciliation below is the superannuation tax rate of 15% payable by Australian superannuation funds on taxable profits under Australian tax law. There has been no change in the superannuation tax rate when compared with the previous financial year.

(a) Income tax recognised in Operating Statement

	2011	2010
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	104 414	87 446
Deferred tax income relating to the origination and reversal of temporary differences	230	(240)
Adjustments recognised in current year in relation to current tax of prior year	(46)	(24)
Total tax expense	104 598	87 181

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 financial statements as follows:

Benefits accrued as a result of operations before income tax	1 010 430	839 015
Income tax expense calculated at 15%	151 564	125 852
Add (less) permanent differences - items not assessable or deductible		
Group life insurance proceeds	(1 925)	(1 349)
Investment revenue already taxed	(21 889)	(18 441)
Member contributions, Govt co-contributions and transfers from other superannuation funds	(22 895)	(18 749)
Superannuation contributions (surcharge) tax	(1)	(1)
Death benefit increase (Anti-Detriment)	(210)	(106)
Under/(over) provision for income tax in previous year	(46)	(24)
Total	104 598	87 181

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

8. INCOME TAX (continued)

	2011	2010
	\$'000	\$'000
(b) Current tax balances		
Current tax payables:		
Provision for current income tax	104 414	87 446
	<u>104 414</u>	<u>87 446</u>
(c) Deferred tax balances		
Deferred tax asset:		
Temporary differences	240	470
	<u>240</u>	<u>470</u>

Taxable and deductible temporary differences arise from the following:

2011	Opening balance \$'000	Charged to income / \$'000	Acquisition / (disposal) \$'000	Closing balance \$'000
Gross deferred tax assets:				
Temporary differences	470	(230)	-	240
	<u>470</u>	<u>(230)</u>	<u>-</u>	<u>240</u>
2010	Opening balance \$'000	Charged to income \$'000	Acquisition / (disposal) \$'000	Closing balance \$'000
Gross deferred tax assets:				
Temporary differences	230	240	-	470
	<u>230</u>	<u>240</u>	<u>-</u>	<u>470</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

9. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2011	2010
	\$'000	\$'000
Cash at bank	120 450	101 853

(b) Reconciliation of Benefits Accrued as a Result of Operations after Income Tax to Net Cash Inflows from Operating Activities

	2011	2010
	\$'000	\$'000
Benefits accrued as a result of operations after income tax	905 832	751 834
Less: benefits expense	(88 387)	(54 477)
Increase in net market value of investments	(145 937)	(122 943)
Less:		
Increase in sundry debtors	(48)	(303)
(Increase)/decrease in deferred tax asset	230	(240)
Add back:		
Increase in benefits payable	1 952	611
Increase/(decrease) in sundry payables	(1 455)	1 817
Increase in provision for income tax	16 968	31 490
Net cash inflows from operating activities	689 155	607 788

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

10. LIABILITY FOR ACCRUED BENEFITS

The liability for accrued benefits is the Plan's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the total assets and total liabilities as at year-end.

	2011	2010
	\$'000	\$'000
(a) Funds Not Allocated to Members' Accounts		
Employer contributions (net of contributions tax) and member transfers received prior to year-end but not allocated at balance date	866	843
Change in net market value of investments	3 753	4 818
Bank interest	12 056	10 599
Other	3 253	3 898
Funds not allocated to members' accounts at the end of the year	19 928	20 158
(b) Changes in the Liability for Accrued Benefits		
Liability for accrued benefits at beginning of the year	1 956 658	1 259 302
Add:		
Increase in liability for accrued benefits	905 832	751 834
Less:		
Benefits and transfers paid and payable	(88 387)	(54 477)
Net change	817 445	697 356
Liability for accrued benefits at the end of the year	2 774 103	1 956 658

11. GUARANTEED BENEFITS

No guarantees have been made in respect of any part of the liability for accrued benefits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

12. VESTED BENEFITS

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

The vested benefits amount is made up of:

	2011	2010
	\$'000	\$'000
Members' account balances at 30 June	2 754 175	1 936 500
Plus contributions (refundable) allocated after balance date	1 567	1 618
Less accrued contributions tax on refunds / unallocated contributions	(702)	(775)
Vested benefits	<u>2 755 040</u>	<u>1 937 343</u>
Net assets available to pay benefits	<u>2 774 103</u>	<u>1 956 658</u>

13. AUDITOR'S REMUNERATION

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

	2011	2010
	\$	\$
Financial statements and regulatory returns	70 400	67 240
Combined Risk Management Strategy and Plan	7 535	6 065
	<u>77 935</u>	<u>73 305</u>

Audit services for the Financial Statements were provided by the Australian National Audit Office free of charge. The audit fees for the Combined Risk Management Strategy and Plan were charged against assets of ARIA Investments Trust that are referable to the Plan.

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.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

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 Investments of the Plan (other than cash held for managing contribution receipts, insurance expenses, benefit payments and tax payments) comprise units in ARIA Investments Trust ('AIT'). AIT is a pooled superannuation trust which is also governed by the Trustee. This type of investment has been determined by the Trustee to be appropriate for the Plan and is in accordance with the Plans published investment strategy. The Trustee 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 3 to the financial statements.

(c) Capital risk management

The RSE license of the Trustee of the Plan 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 was in compliance with this requirement throughout the year.

(d) Categories of financial instruments

The financial assets and liabilities of the Plan 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

14. FINANCIAL INSTRUMENTS (continued)**(e) Financial risk management objectives**

The Plan 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 Plan's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Plan's financial performance. These policies may include the use of financial derivative instruments.

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

The Trustee's internal investment team monitors and manages the financial risks relating to the Plan's investments. 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 Plan's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Plan and is in accordance with its investment strategy.

(f) Credit risk

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

14 FINANCIAL INSTRUMENTS (continued)

(f) Credit risk (continued)

In its capacity as trustee of ARIA Investments Trust, the Trustee 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 Plan'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. Other than the master custodian, no individual exposure within ARIA Investments Trust exceeded 5% of net assets of that trust at either 30 June 2011 or 30 June 2010.

The credit risk on the Plan'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:

	2011	2010
	\$'000	\$'000
Investments		
Pooled superannuation trust	2 762 802	1 946 307
Other financial assets		
Cash and cash equivalents	120 450	101 853
Sundry debtors	521	473
Total financial assets	<u>2 883 773</u>	<u>2 048 633</u>

There has been no change to the Plan's exposure to credit risk or the manner in which it manages and measures that risk since the 2010 reporting period.

(g) Liquidity risk

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

The Plan's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities and member withdrawals. The Plan allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Plan has a high level of net inward cash flows through new contributions which provide capacity to manage liquidity risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

14 FINANCIAL INSTRUMENTS (continued)**(g) Liquidity risk (continued)**

The Trustee 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 Plan cannot have more than 25% of assets invested in non liquid asset classes at any one point in time and regular scenario testing is performed to confirm the validity of the strategy.

All financial liabilities (being benefits payable and sundry payables) are expected to be settled within 3 months of reporting date (2010: within 3 months). At 30 June 2011 the Plan's total exposure to liquidity risk was \$2755 million relating to vested benefits (2010: \$1937.3 million).

There has been no change to the Plan's exposure to liquidity risk or the management and measurement of that risk during the reporting period.

(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 the Trustee's investment policies and the RMSP.

There has been no change to the Plan's exposure to market risks or the manner in which it manages and measures the risk during the 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 Plan does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. 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 changed in 2009, when the Trustee determined that some strategic currency exposures could be adopted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

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 Plan is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits, taxation and insurance costs. All holdings at 30 June 2011 and 30 June 2010 had a maturity profile of less than one month. The Plan is indirectly exposed to interest rate risk through its pooled investments in AIT. As trustee of AIT, CSC manages interest rate risk through its investment strategy including diversification of asset allocation and the use of specialist investment sector managers. These managers invest in accordance with written investment mandates, which may authorise the use of fixed interest futures, money market securities and interest rate swaps.

The following table illustrates the Plan's sensitivity to a 1.75% p.a. increase or decrease in interest rates (2010: 1.5%), based on cash balances directly held at reporting date. This represents an assessment of the reasonably possible change in interest rates as at that date. Had interest rates been lower or higher by 1.75% at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as demonstrated:

	Carrying amount \$'000	Interest rate risk \$' 000			
		Benefits accrued	Net assets available to pay benefits	Benefits accrued	Net assets available to pay benefits
2011		-1.75%		+1.75%	
Cash and cash equivalents	120 450	(2 108)	(2 108)	2 108	2 108
2010		-1.50%		+1.50%	
Cash and cash equivalents	101 853	(1528)	(1528)	1 528	1 528

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Plan during the financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

14 FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Price risk

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 Plan'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 Operating Statement, all changes in market conditions will directly affect the Plan's net investment income. In its capacity as trustee of ARIA Investments Trust, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

The following table illustrates the Plan's sensitivity to a reasonably possible change in the unit value of ARIA Investments Trust, based on risk exposures at reporting date with the exception of the cash option. The volatility factors represent the average annual historical volatility in the investment option unit prices. For the Cash Option a factor of 1.75% (2010: 1.5%) has been applied representing a reasonably possible change in interest rates. Had the unit price been higher or lower at the reporting date by the volatility factor, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

14 FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Price risk (continued)

2011

Investment option	Volatility factors	Carrying amount \$'000	Benefits accrued \$'000	Net assets available to pay benefits \$'000
Balanced	+4%	29 763	1 191	1 191
	-4%		(1 191)	(1 191)
Aggressive	+12%	74 587	8 950	8 950
	-12%		(8 950)	(8 950)
Australian Shares	+19%	44 787	8 510	8 510
	-19%		(8 510)	(8 510)
Cash	+1.75%	46 732	818	818
	-1.75%		(818)	(818)
Conservative	+3%	18 337	550	550
	-3%		(550)	(550)
International Shares Hedged	+17%	5 208	885	885
	-17%		(885)	(885)
International Shares Unhedged	+16%	3 511	562	562
	-16%		(562)	(562)
Bonds Fixed Interest	+3%	6 577	197	197
	-3%		(197)	(197)
Property	+4%	13 560	542	542
	-4%		(542)	(542)
Sustainable	+18%	9 864	1 776	1 776
	-18%		(1 776)	(1 776)
Trustee Choice	+7%	2 509 874	175 691	175 691
	-7%		(175 691)	(175 691)
Total increase			199 673	199 673
Total decrease			(199 673)	(199 673)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

14 FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Price risk (continued)

2010

Investment option	Volatility factors	Carrying amount \$'000	Benefits accrued \$'000	Net assets available to pay benefits \$'000
Balanced	+5%	18 409	920	920
	-5%		(920)	(920)
Aggressive	+13%	53 647	6 974	6 974
	-13%		(6 974)	(6 974)
Australian Shares	+20%	30 029	6 006	6 006
	-20%		(6 006)	(6 006)
Cash	+1.5%	39 249	589	589
	-1.5%		(589)	(589)
Conservative	+4%	12 089	484	484
	-4%		(484)	(484)
International Shares Hedged	+18%	3 359	605	605
	-18%		(605)	(605)
International Shares Unhedged	+17%	1 908	324	324
	-17%		(324)	(324)
Bonds Fixed Interest	+3%	4 856	146	146
	-3%		(146)	(146)
Property	+5%	8 942	447	447
	-5%		(447)	(447)
Sustainable	+19%	6 791	1 290	1 290
	-19%		(1 290)	(1 290)
Trustee Choice	+8%	1 767 028	141 362	141 362
	-8%		(141 362)	(141 362)
Total increase			159 148	159 148
Total decrease			(159 148)	(159 148)

In CSC's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

14 FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurements

The Schemes' financial instruments, as disclosed in Note 14(d) above, are included in the Statement of Financial Position at net market value that approximates fair value. The net market value is determined per accounting policies in Note 3(a).

Net market value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the Plans financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: net market value measurements are those derived from quoted prices in active markets.

Level 2: net market value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: net market value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2011				
Financial Assets				
Pooled superannuation trusts	-	2 762 802	-	2 762 802
2010				
Financial Assets				
Pooled superannuation trusts	-	1 946 307	-	1 946 307

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued using daily published prices. These prices are based on the latest listed and unlisted market prices of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 net market value measurements of Assets

There were no Level 3 financial assets or liabilities for the period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

15. RELATED PARTIES

(a) Trustee

Australian Reward Investment Alliance (ARIA) acted as Trustee of the Plan throughout the year ended 30 June 2011. The Trustee name was changed to the Commonwealth Superannuation Corporation (CSC) on 1 July 2011. No fees were charged by the Trustee for acting as Trustee of the Scheme during the reporting period.

(b) Board Members

The trustees throughout the year ended 30 June 2011 were:

Tony Cole (appointed 4 May 2011)
 Brian Daley (term ended 30 June 2011)
 Peter Feltham
 Margaret Gillespie (resigned 13 May 2011)
 Winsome Hall
 Tony Hyams (Chairman)
 David Irons
 Dennis Trewin (term ended 30 June 2011)

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. In this capacity Mr Irons attended one meeting of the Board of Trustees during 2010-11.

The directors of CSC from 1 July 2011 to the date of this report were:

Tony Cole	Peter Cosgrove
Peter Feltham	Nadine Flood
Peggy Haines	Winsome Hall
Tony Hyams (Chairman)	John McCullagh
Gabriel Szondy	Michael Vertigan

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

15. RELATED PARTIES (continued)

(c) Key Management Personnel Compensation

In addition to the Trustees, the following executives of the Trustee had authority and responsibility for planning, directing and controlling the activities of the Plan throughout the year ended 30 June 2011:

Helen Ayres	Senior Executive, Trustee & Business Services
Peter Carrigy-Ryan	Chief Operating Officer (and Acting Chief Executive Officer from 30 September 2010)
Lochiel Crafter	Chief Executive Officer (resigned 30 September 2010)
Leonie McCracken	Senior Executive, Operations
Bronwyn McNaughton	Senior Executive, Legal & Risk
Alison Tarditi	Chief Investment Officer
Kevin Thompson	Senior Executive, Finance & Technology
Christine Pearce	Senior Executive, Member & Employer Services (appointed 23 May 2011)

The aggregate compensation of the key management personnel in relation to the Plan is set out below:

	2011	2010
	\$	\$
Short-term employee benefits	172 120	117 619
Post-employment benefits	16 375	15 842
Other long-term benefits	1 830	7 299
Termination benefits	-	-
Share-based payment	-	-
	190 325	140 760

Aggregate compensation in relation to the Plan is a pro-rata apportionment of the overall compensation paid by the Trustee, 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 for the year ended 30 June 2011 was charged as part of general administration expenses against assets of the ARIA Investments Trust. No charge was made directly against the Plan.

The Plan 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

15. RELATED PARTIES (continued)

(d) Investments

Throughout the year ended 30 June 2011, the Plan'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 only other investors in ARIA Investments Trust throughout the year were the Public Sector Superannuation Scheme and Commonwealth Superannuation Scheme. The Trustee of the Plan governed these three entities during the year ended 30 June 2011. All investing transactions are conducted under normal industry terms and conditions.

The Trustee recovers costs of and incidental to the management of the Plan and the investment of its money from the assets of the ARIA Investments Trust that are referable to the Plan - see Note 7(b). No fees were charged for acting as Trustee during the year ended 30 June 2011 (2010 - \$nil).

16. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Plan had no capital or other expenditure commitments at 30 June 2011 (2010: \$nil).

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 Plan 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 Plan.

There were no other contingent liabilities or contingent assets as at the reporting date (2010: \$nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

17. SUBSEQUENT EVENTS

The name of the Trustee of the Plan, Australian Reward Investment Alliance (ARIA) was changed on 1 July 2011 to Commonwealth Superannuation Corporation (CSC). This change has not materially affected the operations of the Plan or the results of those operations.

Since 30 June 2011, markets have experienced a period of significant volatility, impacting on the valuation of the Fund's investment portfolio. As the investments shown in these financial statements are measured at their 30 June 2011 values, this volatility in value is not reflected in the statement of net assets or the statement of changes in net assets. As the Plan allocates all of its investment income to members, the volatility in the value of investments since 30 June 2011 has been reflected in the unit prices for the Plan's investment options since that date.

No other matters have arisen since 30 June 2011 that have materially affected, or may materially affect, the operations of the Plan, the results of those operations, or the financial position of the Scheme in future financial years.

12

ARIA
financial
statements





INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance and Deregulation

Report on the Financial Statements

I have audited the accompanying financial statements of Australian Reward Investment Alliance for the year ended 30 June 2011, which comprise: a Statement by the Chairman and Chief Executive; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

Chief Executive's Responsibility for the Financial Statements

The Australian Reward Investment Alliance Chief Executive is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as the Chief Executive determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Australian Reward Investment Alliance's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Australian Reward Investment Alliance's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Australian Reward

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Investment Alliance Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

Independence


In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Australian Reward Investment Alliance:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Australian Reward Investment Alliance's financial position as at 30 June 2011 and its financial performance and cash flows for the year then ended.

AUSTRALIAN NATIONAL AUDIT OFFICE



Warren J. Cochrane
Group Executive Director

Delegate of the Auditor-General

Canberra
13 September 2011

**AUSTRALIAN REWARD INVESTMENT ALLIANCE
STATEMENT BY CHAIRMAN AND CHIEF EXECUTIVE**

In our opinion, the attached financial statements for the year ended 30 June 2011 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Tony Hyams
Chairman of the Board

13 September 2011



Peter Carrigy-Ryan
Chief Executive Officer (Acting)

13 September 2011

AUSTRALIAN REWARD INVESTMENT ALLIANCE
STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
EXPENSES			
Employee benefits	4.1	9 862	9 747
Supplier expenses	4.2	5 597	5 052
Depreciation and amortisation	4.3	563	490
Losses from asset disposed	4.4	39	5
Write-down and impairment of assets	4.5	-	68
Total expenses		16 061	15 362
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	5.1	16 163	15 458
Total own-source revenue		16 163	15 458
Gains			
Other gains	5.2	31	29
Total Gains		31	29
Total own-source income		16 194	15 487
Net cost of services and surplus attributable to the Australian Government		133	125
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		-	(78)
Total other comprehensive income		-	(78)
Total comprehensive income attributable to the Australian Government		133	47

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

**AUSTRALIAN REWARD INVESTMENT ALLIANCE
BALANCE SHEET
As at 30 June 2011**

	Notes	2011 \$'000	2010 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	6.1	1 992	3 832
Trade and other receivables	6.2	1 684	1 195
Total financial assets		3 676	5 027
Non-Financial Assets			
Property, plant and equipment	7.1	3 813	2 044
Other non-financial assets	7.2	-	48
Total non-financial assets		3 813	2 092
TOTAL ASSETS		7 489	7 119
LIABILITIES			
Payables			
Suppliers	8.1	(69)	(167)
Other payables	8.2	(2 434)	(2 142)
Total payables		(2 503)	(2 309)
Provisions			
Employees	9.1	(1 149)	(1 106)
Total provisions		(1 149)	(1 106)
TOTAL LIABILITIES		(3 652)	(3 417)
NET ASSETS		3 837	10 536
EQUITY			
Contributed equity		1 343	1 343
Reserves		511	511
Retained surplus		1 983	1 850
TOTAL EQUITY		3 837	3 704
Current assets		3 676	5 075
Non-current assets		3 813	2 044
Current liabilities		(3 129)	(2 978)
Non-current liabilities		(523)	(439)

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

AUSTRALIAN REWARD INVESTMENT ALLIANCE
STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2011

	Retained Earnings		Asset Revaluation		Contributed Equity/Capital		Total Equity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Opening Balance	1 850	1 725	511	589	1 343	1 343	3 704	3 657
Comprehensive income								
Other comprehensive income - Changes in asset revaluation reserves	-	-	-	(78)	-	-	-	(78)
Surplus for the period	133	125	-	-	-	-	133	125
Total comprehensive income	133	125	-	- 78	-	-	133	47
Closing balance attributable to the Australian Government	1 983	1 850	511	511	1 343	1 343	3 837	3 704

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

AUSTRALIAN REWARD INVESTMENT ALLIANCE
CASH FLOW STATEMENT
For the period ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		15 860	16 459
Total cash received		15 860	16 459
Cash used			
Employees		(9 644)	(9 577)
Suppliers		(5 685)	(5 076)
Total cash used		(15 329)	(14 653)
Net cash from operating activities	10	531	1 806
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant and equipment		-	-
Total cash received		-	-
Cash used			
Purchase of property, plant and equipment		(2 371)	(567)
Total cash used		(2 371)	(567)
Net cash from (used by) investing activities		(2 371)	567
FINANCING ACTIVITIES			
Cash used			
Cash used for other financing activities		-	-
Total cash used		-	-
Net cash used by financing activities		-	-
Net increase/(decrease) in cash held		(1 840)	1 239
Cash at beginning of the reporting period		3 832	2 593
Cash at end of the reporting period	6.1	1 992	3 832

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

AUSTRALIAN REWARD INVESTMENT ALLIANCE
SCHEDULE OF COMMITMENTS
As at 30 June 2011

BY TYPE	2011	2010
	\$'000	\$'000
Commitments receivable		
GST recoverable on commitments	783	360
Total commitments receivable	783	360
Commitments payable		
Other commitments		
Operating leases ¹	(8 611)	(3 974)
Total other commitments	(8 611)	(3 974)
Net commitments by type	(7 828)	(3 614)
BY MATURITY		
Commitments receivable		
One year or less	93	105
From one to five years	490	255
Over five years	200	-
Total other commitments	783	360
Operating lease commitments		
One year or less	(1 019)	(1 159)
From one to five years	(5 390)	(2 815)
Over five years	(2 202)	-
Total operating lease commitments	(8 611)	(3 974)
Net commitments by maturity	(7 828)	(3 614)

Note: Operating lease commitment will be met by the ARIA Investments Trust from 2011-2012.

AUSTRALIAN REWARD INVESTMENT ALLIANCE
SCHEDULE OF CONTINGENCIES
As at 30 June 2011

	Guarantees		Indemnities		Claims for Damages/ Costs		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Contingent Assets								
Balance from previous period	-	-	-	-	-	-	-	-
New	-	-	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	-	-	-
Assets recognised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Total Contingent Assets	-	-	-	-	-	-	-	-
Contingent Liabilities								
Balance from previous period	-	-	-	-	-	-	-	-
New	-	-	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	-	-	-
Liabilities recognised	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-
Total Contingent Liabilities	-	-	-	-	-	-	-	-
Net Contingent Assets (Liabilities)							-	-

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

AUSTRALIAN REWARD INVESTMENT ALLIANCE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the period ended 30 June 2011

Note 1 Summary of Significant Accounting Policies

1.1 Objectives of the Australian Reward Investment Alliance

The objective of Australian Reward Investment Alliance ('ARIA') (ABN 48 882 817 243) is to provide superannuation services that meet the expectations of government, employers, members and beneficiaries, and which comply with the superannuation regulatory environment.

ARIA administers the Public Sector Superannuation Scheme ('PSS'), Commonwealth Superannuation Scheme ('CSS') and Public Sector Superannuation Accumulation Plan ('PSSap'), collectively referred to as 'the Schemes' and is responsible for the management and investment of their respective assets.

The Schemes invest solely in ARIA Investments Trust - a pooled superannuation trust under ARIA's trusteeship. Such investment facilitates access to a broad range of underlying securities across various asset classes on an efficient and cost-effective basis.

ARIA conducts these activities through the ARIA Special Account, an account held with the Reserve Bank of Australia, in its capacity as a prescribed agency under the Financial Management and Accountability Act 1997, and directly through the resources of the schemes.

ARIA's sole source of income is from external sources, and therefore no appropriations are included.

ARIA's activities are funded through an agreed share of scheme administration charges collected by ComSuper from employers participating in PSS, CSS and PSSap and additional funding provided by government to meet specific administration requirements.

In addition, in the current year, ARIA's activities were funded through charges to the ARIA Investments Trust to recover the cost of administering and managing the investment of the schemes. In 2011-12 new arrangements will be made whereby ARIA's operating expenses are made entirely from the assets of the schemes' and that proportion not related to the investment of the schemes is charged to ARIA by the ARIA Investments Trust.

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 49 of the *Financial Management and Accountability Act 1997*.

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMO) for reporting periods ending on or after 1 July 2010; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments and the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the income statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, ARIA has made a judgement that the most significant impact on the amounts recorded in the financial statements: the fair value of leasehold improvements and Infrastructure, Plant and Equipment has been taken to be the market value of similar properties as determined by an independent valuer. In some instances, entity buildings are purpose-built and may in fact realise more or less in the market.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next reporting period.

1.4 New Australian Accounting Standard

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

Other new or amended standards or interpretations that were issued prior to the signing of the Statement by the Chairman and Chief Executive and are applicable to the current reporting period did not have a financial impact on the financial statements.

Future Australian Accounting Standard Requirements

Of the new standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board that are applicable to future periods, the following are expected to be relevant to ARIA. ARIA does not anticipate that these standards will have any material financial impact.

Standard / Interpretation	Effective for annual reporting periods on or after	Expected to be initially applied in the financial year ending
AASB 124 'Related Party Disclosures (2009)', AASB 2009-12 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 9 'Financial Instruments' and AASB 2009-11 consequential amendments to other accounting standards resulting from its issue.	1 January 2013	30 June 2014
AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 January 2013	30 June 2014

Other new standards or revised standards that were issued prior to the signing of the Statement by the Chairman and Chief Executive and are applicable to future reporting periods are not expected to have a future material financial impact on ARIA's financial statement.

1.5 Revenue

Sale of goods and rendering of services

ARIA receives a share of an administration fee charged by ComSuper to participating employers of Schemes. Any revenue not received by balance date is reflected in the balance sheet as a receivable.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and that revenue can be reliably measured, and when earned. Where revenue is received but not earned, it shall be shown as the liability 'unearned revenue'.

ARIA may receive supplementary funding from government from time to time to meet specific administration needs.

1.6 Gains

Other Resources Received Free of Charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency or authority as a consequence of a restructuring of administrative arrangements.

1.7 Transactions with the Government as Owners

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Australian Government agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

1.8 Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provisions for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of ARIA is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration. The liability for long service leave has been calculated by reference to the shorthand measurement technique prescribed by the Finance Minister's Orders i.e. as the present value of the probability-weighted long service leave liability.

Superannuation

The trustees and employees of ARIA are eligible to participate in CSS, PSS and PSSap on terms identical to all other members. The liability for the unfunded superannuation benefits of the CSS and PSS is recognised in the financial statements of the Australian Government and is settled by the Australian Government as and when the obligations fall due. The liability is reported by the Department of Finance and Deregulation as an administered item. The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

ARIA makes employer contributions to the relevant Schemes at rates determined by an actuary to be sufficient to meet the cost to the government of the superannuation entitlements of the Agency's employees. ARIA accounts for the contributions as contributions to defined contribution plans.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.10 Cash and Cash Equivalents

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.11 Financial Assets

ARIA classifies its financial assets as loans and receivables.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the income statement.

1.12 Financial Liabilities

Financial liabilities are classified as other financial liabilities.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.13 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.14 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2 000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Fair values for each class of asset are determined as shown below:

Asset Class	Fair value measured at
Leasehold Improvements	Depreciated replacement cost
Infrastructure, Plant and Equipment	Market selling price

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through operating result. Revaluation decrements for a class of assets are recognised directly through operating result except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation and Amortisation

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to ARIA using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2011	2010
Leasehold improvements	Lease term	Lease term
Computer hardware	3 to 5 years	3 to 5 years
Computer Software	4 years	4 years
Office Equipment	5 years	5 years
Furniture and Fittings	7 to 15 years	7 to 15 years

Impairment

All assets are assessed for impairment at 30 June 2011. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if ARIA were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

1.15 Intangibles

ARIA's intangibles comprise of purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of ARIA's software is 4 years (2009-10: 4 years).

All software assets are assessed for indications of impairment as at 30 June 2011.

1.16 Taxation

ARIA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

1.17 Insurance

ARIA has insured for trustee liability and comprehensive crime risks through insurance policies with a group of insurers, (ACE Insurance, London Australia Underwriting, Chubb, Liberty, American Home Assurance, Newline and QBE Insurance); and business travel and group personal injury risks through insurance policies held with Chubb Insurance. Workers compensation risks are insured through ComCare.

Note 2 Events After the Reporting Period

On 1 July 2011 the name of ARIA was changed to Commonwealth Superannuation Corporation (CSC) and its functions expanded to include administration of the Military Superannuation and Benefits Scheme, formerly performed by the Military Superannuation and Benefits Board of Trustees No. 1 (MSB). The change included a merger of the boards of ARIA and MSB.

In addition, from that date the functions of CSC were expanded to include administration of superannuation schemes formerly administered by the Defence Force Retirement & Death Benefits Scheme (DFRDB) Authority, being the Defence Forces Retirement Benefits Scheme and the Defence Force Retirement and Death Benefits Scheme, and by the Commissioner for Superannuation, being the Defence Force (Superannuation) (Productivity Benefit) Scheme (DFSPB), the Papua New Guinea Scheme and the 1922 Scheme.

With the exception of the changes set out above, no matters have occurred since 30 June 2011 that have materially affected, or may materially affect, the operations of ARIA, the results of those operations, or the financial position of ARIA in future financial years.

Note 3 Contingent Liabilities

No contingent liabilities are noted at reporting date.

	2011 \$'000	2010 \$'000
Note 4 Expenses		
4.1 Employee Benefits		
Wages and salaries	(8 717)	(8 492)
Superannuation	(1 084)	(1 139)
Leave and other entitlements	(61)	(116)
Total employee benefits	<u>(9 862)</u>	<u>(9 747)</u>
4.2 Suppliers		
Provision of goods - external parties	(226)	(262)
Rendering of services - related entities	(388)	(390)
Rendering of services - external parties	(3 929)	(3 372)
Minimum lease payments	(1 029)	(985)
Workers compensation premiums	(25)	(43)
Total supplier expenses	<u>(5 597)</u>	<u>(5 052)</u>
4.3 Depreciation and Amortisation		
<i>Depreciation</i>		
Leasehold improvements	(328)	(296)
Infrastructure, plant and equipment	(190)	(172)
Total depreciation	<u>(518)</u>	<u>(468)</u>
<i>Amortisation</i>		
Computer Software	(45)	(22)
Total amortisation	<u>(45)</u>	<u>(22)</u>
Total depreciation and amortisation	<u>(563)</u>	<u>(490)</u>
4.4 Losses from Asset Disposed		
Infrastructure, plant and equipment:		
Carrying value of assets disposed	(39)	(5)
Total losses from asset sales	<u>(39)</u>	<u>(5)</u>
4.5 Write-Down and Impairment of Assets		
Asset write-downs and impairment from:		
Revaluation	-	(68)
Total asset write-downs and impairment	<u>-</u>	<u>(68)</u>

	2011 \$'000	2010 \$'000
Note 5 Income		
Revenues		
5.1 Sale of Goods and Rendering of Services		
Provision of services - related entities	4 301	4 436
Provision of services - external parties	11 862	11 022
Total sale of goods and rendering of services	<u>16 163</u>	<u>15 458</u>
Gains		
5.2 Other Gains		
Resources received free of charge	31	29
Total other gains	<u>31</u>	<u>29</u>

	2011 \$'000	2010 \$'000
Note 6 Financial Assets		
6.1 Cash and Cash Equivalents		
Special Account	1 992	3 832
Total cash and cash equivalents	1 992	3 832
6.2 Trade and Other Receivables		
Goods and services:		
Goods and services - external parties	1,303	926
Total receivables for goods and services	1,303	926
Other receivables:		
GST receivable from the Australian Taxation Office	319	140
Accrued Revenue	62	129
Total other receivables	381	269
Total trade and other receivables	1,684	1 195
Receivables are expected to be recovered in:		
No more than 12 months	1,684	1 195
More than 12 months	-	-
Total trade and other receivables	1,684	1 195
Receivables are aged as follows:		
Not overdue	1,684	1 195
Overdue by:		
0 to 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	-	-
Total receivables	1,684	1 195

No impairment on trade and other receivables was noted (2010: Nil).

	2011	2010
	\$'000	\$'000
Note 7 Non-Financial Assets		
7.1 Property, Plant and Equipment		
Land and Buildings		
Leasehold improvements		
Fair value	2 629	1 914
Accumulated depreciation	(208)	(762)
Total land and buildings:	<u><u>2 421</u></u>	<u><u>1 152</u></u>
Infrastructure, Plant and Equipment		
Infrastructure, Plant and Equipment:		
Gross carrying value (at fair value)	1 246	1 140
Accumulated depreciation	(158)	(399)
Total infrastructure, plant and equipment:	<u><u>1 088</u></u>	<u><u>741</u></u>
Intangibles		
Computer software at cost:		
Acquired - in use	349	181
Accumulated depreciation	(45)	(30)
Total intangibles:	<u><u>304</u></u>	<u><u>151</u></u>
Total Property, Plant and Equipment		
Property, Plant and Equipment:		
Carrying value	4 224	3 235
Accumulated depreciation	(411)	(1 191)
Total property, plant and equipment:	<u><u>3 813</u></u>	<u><u>2 044</u></u>
7.2 Other Non-Financial Assets		
Prepaid Expenditure	-	48
Total other non-financial assets	<u><u>-</u></u>	<u><u>48</u></u>

Note 7 Non-Financial Assets (continued)**7.3 Analysis of Property, Plant and Equipment****Table A - Reconciliation of the opening and closing balances of property, plant and equipment (2010-11)**

	Leasehold Improvements \$'000	Other IP and E \$'000	Software \$'000	Total \$'000
As at 1 July 2010				
Gross book value	1 914	1 140	181	3 235
Accumulated depreciation/amortisation and impairment	(762)	(399)	(30)	(1 191)
Net book value 1 July 2010	1 152	741	151	2 044
Additions:				
By purchase	1,602	571	198	2 371
Revaluations recognised in the operating result (asset)	(762)	(399)	(30)	(1 191)
Revaluations recognised in the operating result (depreciation)	762	399	30	1 191
Depreciation/amortisation expense	(328)	(190)	(45)	(563)
Disposals:				
Gross book value	(125)	(66)	-	(191)
depreciation/amortisation	120	32	-	152
Net book value 30 June 2011	2 421	1 088	304	3 813
Net book value as of 30 June 2011 represented by:				
Gross book value	2,629	1,246	349	4,224
Accumulated depreciation and amortisation	(208)	(158)	(45)	(411)
	2,421	1,088	304	3,813

Note 7 Non-Financial Assets (continued)

7.3 Analysis of Property, Plant and Equipment continued

Table B - Reconciliation of the opening and closing balances of property, plant and equipment (2009-10)

	Leasehold Improvements \$'000	Other IP and E \$'000	Software \$'000	Total \$'000
As at 1 July 2009				
Gross book value	1 992	799	40	2 831
Accumulated depreciation/amortisation and impairment	(466)	(237)	(8)	(711)
Net book value 1 July 2009	1 526	562	32	2 120
Additions:				
By purchase	-	427	141	568
Reclassification	-	(68)	-	(68)
Revaluations recognised directly in equity	(78)	-	-	(78)
Depreciation/amortisation expense	(296)	(172)	(22)	(490)
Other movements (give details below):				
Adjust 1 July 08 opening balances:				
Gross book value	-	(18)	-	(18)
depreciation/amortisation	-	10	-	10
Other disposals	-	-	-	-
Net book value 30 June 2010	1 152	741	151	2 044

represented by:

Gross book value	1 914	1 140	181	3 235
and impairment	(762)	(399)	(30)	(1 191)
	1 152	741	151	2 044

	2011 \$'000	2010 \$'000
Note 8 Payables		
8.1 Suppliers		
Trade Creditors	(69)	(167)
Total supplier payables	<u>(69)</u>	<u>(167)</u>
Supplier payables expected to be settled within 12 months:		
Related entities	(69)	(167)
Total supplier payables	<u>(69)</u>	<u>(167)</u>
Settlement is usually made within 30 days.		
8.2 Other Payables		
GST payable to the Australian Taxation Office	(288)	(281)
Accrued Expenses	(305)	(138)
Accrued Salaries	(328)	(152)
Unearned Revenue	(1 044)	(1 044)
Lease Payable	(469)	(527)
Total other payables	<u>(2 434)</u>	<u>(2 142)</u>
Total other payables are expected to be settled in:		
No more than 12 months	(2 434)	(2 142)
Total other payables	<u>(2 434)</u>	<u>(2 142)</u>
Unearned revenue represents funding received in advance from a Commonwealth entity for anticipated expenses relating to the merger of ARIA and MSB.		
Note 9 Provisions		
9.1 Employee Provisions		
Leave	(1 147)	(1 085)
Other	(2)	(21)
Total employee provisions	<u>(1 149)</u>	<u>(1 106)</u>
Employee provisions are expected to be settled in:		
No more than 12 months	(626)	(668)
More than 12 months	(523)	(438)
Total employee provisions	<u>(1 149)</u>	<u>(1 106)</u>

	2011	2010
	\$'000	\$'000
Note 10 Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Report cash and cash equivalents as per:		
Cash flow statement	1 992	3 832
Balance sheet	1 992	3 832
Difference	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(133)	(125)
Adjustments for non-cash items		
Depreciation / amortisation	(563)	(490)
Loss/(gain) on disposal of assets	(39)	(5)
Revaluation of non-financial assets	-	(68)
Changes in assets/liabilities		
(Increase)/decrease in net receivables	378	285
Decrease in prepayments	(48)	(15)
Decrease in GST receivable	179	68
(Increase)/decrease in accrued revenue	(67)	(272)
Increase/(decrease) in employee provisions	(42)	(140)
Increase/(decrease) in supplier payables	98	(4)
Increase/(decrease) in accrued expenses	(168)	(40)
Increase/(decrease) in accrued salaries	(175)	(26)
Increase/(decrease) in GST payable	(8)	28
Increase/(decrease) in unearned revenue	-	(1 044)
(Increase)/decrease in other payables	57	42
Net cash from operating activities	<u>(531)</u>	<u>(1 806)</u>

Note 11 Senior Executive Remuneration

11A Senior Executive Remuneration Expense for the Reporting Period

	2011	2010
Short-term employee benefits:	\$	\$
Salary	(2 054 891)	(2 195 550)
Annual leave Accrued	13 127	4 953
Performance bonus	(649 667)	(286 215)
Motor vehicle and other allowances	(1 795)	(13 821)
Total Short-term employee benefits	<u>(2 693 226)</u>	<u>(2 490 633)</u>
Post-employment benefits:		
Superannuation	(236 605)	(337 112)
Total post-employment benefits	<u>(236 605)</u>	<u>(337 112)</u>
Other long-term benefits		
Long-service leave	(32 805)	(45 371)
Total other long-term benefits	<u>(32 805)</u>	<u>(45 371)</u>
Termination benefits	-	-
Total	<u>(2 962 636)</u>	<u>(2 873 116)</u>

Notes:

- Note 11A was prepared on an accrual basis (so the performance bonus expenses disclosed above differ from the cash "Bonus paid" in Note 11B).
- Note 11A excludes acting arrangements and part-year service where remuneration expensed for the senior executive was less than \$150,000.

11B Average Annual Remuneration Packages and Bonus Paid for Substantive Senior Executives at the end of the Reporting Period

as at 30 June 2011					
	Senior Executives No.	Fixed elements		Total \$	Bonus paid ² \$
		Salary \$	Allowances \$		
Total remuneration:					
\$120,000 to \$149,999	1	137 374	-	137 374	11 929
\$150,000 to \$179,999	1	158 110	-	158 110	30 468
\$180,000 to \$209,999	2	189 760	-	189 760	32 038
\$210,000 to \$239,999	1	216 638	-	216 638	0
\$390,000 to \$419,999	1	404 159	441	404 600	82 166
\$510,000 to \$539,999	1	529 873	-	529 873	296 029
Total	<u>7</u>				

Note 11 Senior Executive Remuneration (continued)

as at 30 June 2010					
Senior Executives	Fixed elements ¹			Total	Bonus paid ²
	No.	Salary \$	Allowances \$		
Total remuneration:					
\$120,000 to \$149,999	3	139 733	239	139 972	6 564
\$150,000 to \$179,999	1	176 064	0	176 064	18 531
\$300,000 to \$329,999	1	313 371	441	313 812	27 353
\$450,000 to \$479,999	1	469 325	0	469 325	130 250
\$810,000 to \$839,999	1	817 591	12 662	830 253	90 390
Total	7				

Notes:

1. This table reports on substantive senior executives who are employed by the entity as at the end of the reporting period. Fixed elements are based on the employment agreement of each individual. Each row represents an average annualised figure (based on headcount) for the individuals in that remuneration package band.

2. This represents average actual bonuses paid during the reporting period in that remuneration package. The 'Bonus paid' was excluded from the 'Total' calculation, (for the purpose of determining remuneration package bands). The 'Bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

Variable elements

In addition to 'bonus paid' shown in the table, the following variable elements were available as part of senior executive remuneration package:

- a) On average senior executives were entitled to the following leave entitlement:
 - Annual leave: entitled average 24 days (2010: 24 days) per full year worked.
 - Personal leave: entitled to 10 days (2010: 10 days) per full year worked.
 - Long service leave: entitled to 13 weeks for each 10 years of service.
- b) Senior executives were member of one of the following superannuation schemes:
 - Commonwealth Superannuation Scheme (CSS): this is closed to new members, and employer contributions averaged 20.4 per cent (2010: 20.4 per cent) (including productivity component). More information on CSS can be found at <http://www.css.gov.au>.
 - Public Sector Superannuation Scheme (PSS): this is closed to new members, and employer contributions were 21.6 per cent (2010: 19.3 per cent) (including productivity component). More information on PSS can be found at <http://www.pss.gov.au>.
 - Public Sector Superannuation Accumulation Plan (PSSap): employer contributions were set at 15.4 per cent (2010: 15.4 per cent). More information on PSSap can be found at <http://www.pssap.gov.au>.

Note 11 Senior Executive Remuneration (continued)

11C Other Highly Paid Staff

During the reporting period, there were 7 employees (2010: 9) whose salary plus performance bonus were \$150,000 or more. These employees did not have a role as senior executive.

Note 12 Actual Remuneration Paid to Trustees

12 Trustee Remuneration for the Reporting Period

	2011	2010
	\$	\$
Short-term employee benefits:		
Salary	(395 774)	(318 915)
Annual leave Accrued	-	-
Performance bonus	-	-
Motor vehicle and other allowances	-	(2 208)
Total Short-term employee benefits	<u>(395 774)</u>	<u>(321 123)</u>
Post-employment benefits:		
Superannuation	(56 933)	(40 452)
Total post-employment benefits	<u>(56 933)</u>	<u>(40 452)</u>
Other long-term benefits		
Long-service leave	-	-
Total other long-term benefits	<u>-</u>	<u>-</u>
Termination benefits	-	-
Total	<u>(452 707)</u>	<u>(361 575)</u>

During the year ARIA paid \$Nil in termination benefits to trustees (2010: \$Nil)

Note 12 Actual Remuneration Paid to Trustees (continued)

12 Salary Packages for Trustees as at 30 June

Average Annual Remuneration Packages for Trustees as at the end of the Reporting Period

As at 30 June 2011				
	No.	Salary \$	Allowances \$	Total \$
Total remuneration:				
\$0 to \$14 999 ²	1	8 470	-	8 470
\$30 000 to \$59 999	4	50 093	-	50 093
\$60 000 to \$89 999	1	60 480	-	60 480
\$90 000 to \$119 999	1	99 070	-	99 070
Total	7			

As at 30 June 2010				
	No.	Salary \$	Allowances \$	Total \$
Total remuneration:				
\$0 to \$14 999 ²	1	8 862	-	8 862
\$30 000 to \$59 999	3	51 237	-	51 237
\$60 000 to \$89 999	2	65 883	-	65 883
\$90 000 to \$119 999	1	109 815	-	109 815
Total	7			

Note:

1. In addition to the amounts shown above, the trustees received superannuation paid to various schemes of their choice.
2. 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.

	2011 \$'000	2010 \$'000
Note 13 Remuneration of Auditors		
Financial statement audit services were provided free of charge to ARIA.		
The fair value of the services provided was:	<u>31</u>	<u>29</u>
<p>Deloitte Touche Tohmatsu (Deloitte) have been contracted by the ANAO to provide audit services to the agency. Fees for these services are included above. The ANAO also contracted Deloitte to provide audit services to ARIA Board which are not included in the above resources received free of charge. These services relate to the Australian Financial Services Licence to the value of \$7,095.</p>		
The fair value of non-audit services provided by Deloitte:		
Tax services - International	<u>-</u>	<u>9</u>
No other services were provided by the auditors of the financial statements.		

Note	2011 \$'000	2010 \$'000
Note 14 Financial Instruments		

14.1 Categories of Financial Instruments

Financial Assets

Loans and receivables:

Cash and cash equivalents	6.1	1 992	3 832
Trade receivables	6.2	1 303	926
GST receivable from the Australian Taxation Office	6.2	319	140
Carrying amount of financial assets		<u>3 614</u>	<u>4 898</u>

Financial Liabilities

At amortised cost:

Supplier payables	8.1	(69)	(167)
Operating Lease Payable	8.2	(469)	(527)
GST payable to the Australian Taxation Office	8.2	(288)	(281)
Accrued Expenses	8.2	(305)	(138)
Accrued Salaries	8.2	(328)	(152)
Carrying amount of financial liabilities		<u>(1 459)</u>	<u>(1 265)</u>

14.2 Net Income and Expense from Financial Assets

There is no interest income from financial assets not at fair value through profit or loss in the year ending 2011.

14.3 Net Income and Expense from Financial Liabilities

There is no interest expense on financial liabilities.

14.4 Fair Value of Financial Instruments

The financial instruments held by ARIA are carried at amounts which approximate fair value.

Note 14 Financial Instruments continued

14.5 Credit Risk

ARIA is exposed to minimal credit risk as receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2011: \$1 303 000 and 2010: \$926 000). Trade receivables are usually limited to the ARIA investment Trust and Australian Government agencies. ARIA has assessed the risk of the default on payment and has determined there is no credit risk to ARIA. ARIA holds no collateral to mitigate against credit risk.

Credit quality of financial instruments not past due or individually determined as impaired:

	Not past due or impaired 2011 \$'000	Not past due or impaired 2010 \$'000	Past due or impaired 2011 \$'000	Past due or impaired 2010 \$'000
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	1 992	3 832	-	-
Trade receivables	1 303	926	-	-
GST receivable from the Australian Taxation Office	319	140	-	-
Total Financial Assets	3 614	4 898	-	-

Ageing of financial assets that were past due but not impaired for 2011

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables:					
Trade receivables	1,303	-	-	-	1,303
GST receivable from the Australian Taxation Office	319	-	-	-	319
Total	1,622	-	-	-	1,622

Ageing of financial assets that were past due but not impaired for 2010

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables:					
Trade receivables	926	-	-	-	926
GST receivable from the Australian Taxation Office	140	-	-	-	140
Total	1 066	-	-	-	1 066

Note 14 Financial Instruments continued

14.6 Liquidity Risk

ARIA's financial liabilities are payables. The exposure to liquidity risk is based on the notion that ARIA will encounter difficulty in meeting its obligations associated with financial liabilities.

This is highly unlikely as ARIA's cash receipts are primarily received from the ARIA Investments Trust and Australian Government agencies. ARIA manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, ARIA has policies in place to ensure timely payments are made when due and has no past experience of default.

Maturities for non-derivative financial liabilities 2011

	within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Other liabilities					
Supplier payables	(69)	-	-	-	(69)
Lease Payable	(282)	(72)	(115)	-	(469)
GST payable to the Australian Taxation Office	(288)	-	-	-	(288)
Accrued Expenses	(305)	-	-	-	(305)
Accrued Salaries	(328)	-	-	-	(328)
Total	(1 272)	(72)	(115)	-	(1 459)

Maturities for non-derivative financial liabilities 2010

	within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Other financial liabilities					
Supplier payables	(167)	-	-	-	(167)
Lease Payable	(58)	(91)	(378)	-	(527)
GST payable to the Australian Taxation Office	(281)	-	-	-	(281)
Accrued Expenses	(138)	-	-	-	(138)
Accrued Salaries	(152)	-	-	-	(152)
Total	(796)	(91)	(378)	-	(1 265)

ARIA has no derivative financial liabilities in either the current or prior year.

Note 15 Special Accounts

ARIA Special Account (Departmental)	2011 \$'000	2010 \$'000
Appropriation: <i>Financial Management and Accountability Act 1997; section 21</i>		
Establishing Instrument: <i>Financial Management and Accountability Determination; 2007/04</i>		
Purpose: <i>For ARIA to administer the expenditure related to the administration of the CSS, PSS and PSSap Schemes</i>		
	2011 \$'000	2010 \$'000
Balance brought forward from previous period	3 832	2 593
Appropriation for reporting period	-	-
Costs recovered	17 066	17 622
GST credits (FMA Act section 30A)	558	489
Total increase	21 456	20 704
Payments made to suppliers		
Employees	(9 644)	(9 577)
Suppliers	(6 242)	(5 565)
GST paid	(1 206)	(1 163)
Purchase of property, plant and equipment	(2 371)	(567)
Total decrease	(19 464)	(16 872)
Balance carried to next period (excluding investment balances) and represented by:	1 992	3 832
Cash - held in the Official Public Account	-	-
Cash – held by the agency	1 992	3 832
Total balance carried to the next period	1 992	3 832

	2011 \$'000	2010 \$'000
Note 16 Assets Held in Trust		
Shown below are the values of gross assets held in trust by ARIA in its capacity as trustee of the CSS, PSS and PSSap superannuation schemes.		
CSS		
Opening balance	4 789 427	4 753 314
Closing balance	<u>4 619 878</u>	<u>4 789 427</u>
PSS		
Opening balance	11 443 051	10 038 966
Closing balance	<u>12 534 422</u>	<u>11 443 051</u>
PSSap		
Opening balance	2 049 103	1 317 828
Closing balance	<u>2 884 013</u>	<u>2 049 103</u>

Note 17 Reporting of Outcomes

ARIA receives departmental funding which is to be used solely for the Outcome specified in Note 1.1.

17.1 Net Cost of Outcome Delivery

	Outcome 1	
	2011 \$'000	2010 \$'000
Expenses		
Departmental	16 061	15 362
Total expenses	16 061	15 362
Income from non-government sector		
Departmental		
Activities subject to cost recovery	16 194	15 487
Total income	16 194	15 487
Net cost/(contribution) of outcome delivery	(133)	(125)

Note 17 Reporting of Outcomes (continued)

17.2 Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcomes

Outcome 1	2011 \$'000	2010 \$'000
Departmental Expenses:		
Employees	(9 862)	(9 747)
Suppliers	(5 597)	(5 052)
Depreciation and amortisation	(563)	(490)
Losses from asset sales	(39)	(5)
Write-Down and Impairment of Assets	-	(68)
Total	(16 061)	(15 362)
Departmental Income:		
Sale of goods and rendering of services	16 163	15 458
Other Gains	31	29
Total	16 194	15 487
Departmental Assets:		
Cash and Cash Equivalents	1 992	3 832
Trade and Other Receivables	1 684	1 195
Other Financial Assets	-	48
Infrastructure, Plant and Equipment	3 509	1 893
Intangibles	304	151
Total	7 489	7 119
Departmental Liabilities:		
Suppliers	(69)	(167)
Other Payables	(2 434)	(2 142)
Employee Provisions	(1 149)	(1 106)
Total	(3 652)	(3 415)

13

Appendices

Appendix A:
Changes to legislation

Appendix B:
Organisation chart

Appendix C:
Functional chart

Appendix D:
Access to information

Appendix E:
Publications

Appendix F:
Contact officer

Appendix G:
List of requirements

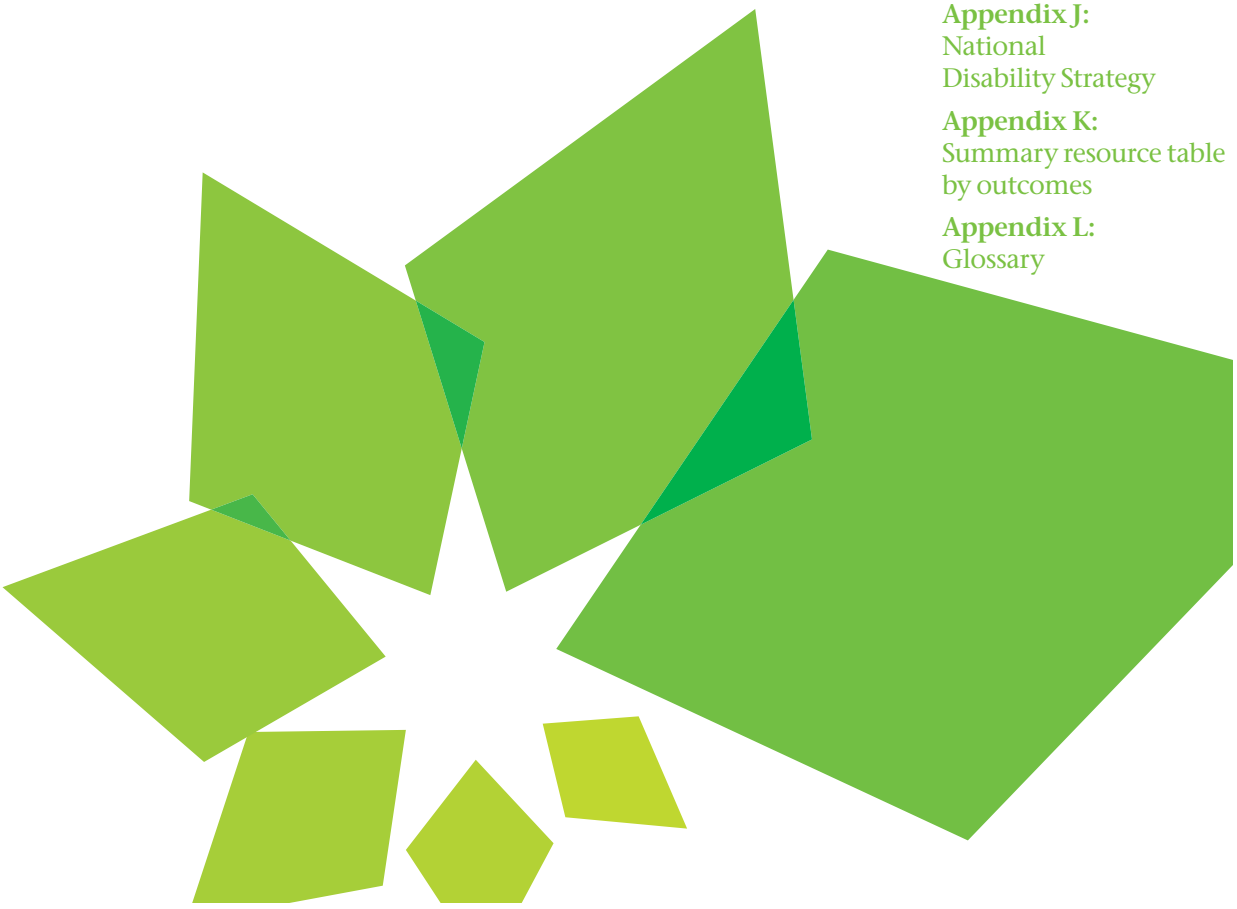
Appendix H:
New consultancies

Appendix I:
Advertising
and market research

Appendix J:
National
Disability Strategy

Appendix K:
Summary resource table
by outcomes

Appendix L:
Glossary



Changes to legislation

The *Superannuation Act 1976* (CSS Act)

The *Statute Law Revision Act 2011* amended the definition of ‘Department’ in the CSS Act to specify Departments of the Parliament that have been established under the *Parliamentary Service Act 1999*. This amendment had effect from 19 April 2011.

The *Superannuation Act 1990* (PSS Act)

The *Statute Law Revision Act 2011* amended the definition of ‘Department’ in the PSS Act to specify Departments of the Parliament that have been established under the *Parliamentary Service Act 1999*. This amendment had effect from 19 April 2011. There have been no amendments to the PSS Trust Deed.

From 1 July 2011, the 34th and the 35th Amending Deeds to the PSS Trust Deed will take effect. The 34th Amending Deed allows PSS members who continue in employment between ages 70 to 75 to continue to accrue employer benefits in the scheme. The 35th Amending Deed makes changes to the Trust Deed consequential to the merger legislation (see below).

The *Superannuation Act 2005* (PSSap Act)

The *Statute Law Revision Act 2011* amended the definition of ‘Department’ in the PSSap Act to specify Departments of the Parliament that have been established under the *Parliamentary Service Act 1999*. This amendment had effect from 19 April 2011. There have been no amendments to the PSSap Trust Deed.

From 1 July 2011, the 5th Amending Deed to the PSSap Trust Deed will take effect. The 5th Amending Deed makes changes to the Trust Deed consequential to the merger legislation (see below).

Merger legislation

A legislative package comprising the *Governance of Australian Government Superannuation Schemes Act 2011*, *ComSuper Act 2011* and the *Superannuation Legislation (Consequential and Transitional Provisions) Act 2011* was passed by Parliament on 21 June 2011, which, amongst other things, consolidated the trusteeship of the main civilian and military superannuation schemes. As a result ARIA, the MSB Board and the DFRDB Authority merged to form a consolidated trustee body, Commonwealth Superannuation Corporation, with effect from 1 July 2011. Various consequential amendments to the scheme legislation have been made as a result of the trustee consolidation.



Chairman
Tony Hyams

The Executive Team

Mr Peter Carrigy-Ryan – Chief Executive Officer:

Management of ARIA and implementing the strategy and policies of the Trustee Board.

Alison Tarditi – Chief Investment Officer:

Management of investments, investment risk, fund performance and ensuring the Trustee is provided with impartial investment advice.

Bronwyn McNaughton – Senior Executive Legal & Risk:

Management of legal advice, organisational risk management, audit and compliance programs.

Leonie McCracken – Senior Executive Operations:

Oversight of the investment operations, treasury and tax functions, including management of custody arrangements.

Kevin Thompson – Senior Executive Finance & Technology:

ARIA's financial management, corporate finance and information technology.

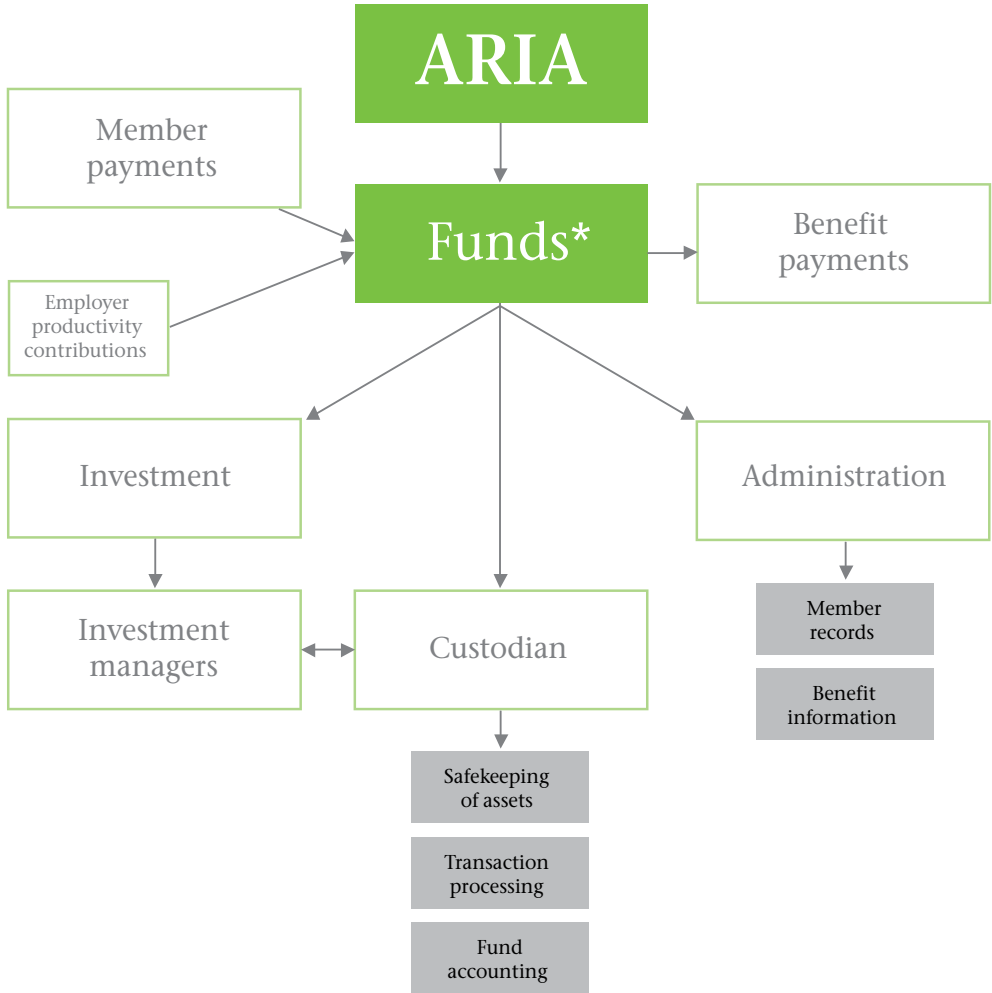
Helen Ayres – Senior Executive Trustee & Business Services:

Trustee Corporate Secretary, and ARIA business and corporate services.

Christine Pearce – Senior Executive Member & Employer Services:

Oversight of the strategies, policies and practices for member and employer services, communications and related functions.

Functional chart



*Benefit payments for CSS and PSS are paid from the consolidated fund.

Access to information

Freedom of information

Organisation, functions and decision making powers

ARIA's functions and powers are set out in sections 27C and 27D of the *Superannuation Act 1976* (CSS Act), clause 3 of the PSS Trust Deed and clause 3 of the PSSap Trust Deed.

The general functions of ComSuper, the administrator of the CSS, PSS and PSSap, are described in the main body of this report and detailed in the Commissioner for Superannuation Annual Report 2010/11.

The authority for ARIA to delegate its powers and functions is contained in section 27Q of the CSS Act, clause 12 of the PSS Trust Deed and clause 8 of the PSSap Trust Deed.

Informal consultative arrangements

Informal arrangements exist whereby the national, state and territory branches of the Superannuated Commonwealth Officers' Association (SCOA) and those unions whose members are covered by the CSS, PSS and PSSap may make representations relating to the general administration of the schemes.

Representations are also received which relate to the determination of individual contributors' benefit entitlements.

Requests for consultation and representations relating to policy aspects of the schemes and their underlying legislation are referred to the Superannuation Branch of the Department of Finance and Deregulation, which has responsibility for advising the Minister for Finance and Deregulation on such matters.

Categories of documents

Other than in accordance with the *Freedom of Information Act 1982* (FOI Act) ARIA does not maintain any categories of documents that are open to public access as part of a public register or otherwise. Books and fact sheets that describe various aspects of the superannuation schemes, and annual reports, are made available to the public free of charge upon request. They are also available free of charge via the ARIA website. ComSuper keeps and maintains member records.

Facilities for access

Facilities for viewing member records and other documents are provided at ComSuper's office in Canberra. Publications may be inspected at ComSuper's offices and copies (for which there may be a charge) can be obtained by writing to ComSuper. Information about facilities for access by people with a disability can be obtained by contacting the Freedom of Information (FOI) Unit.

Freedom of information procedures

Matters associated with the administration of the FOI Act relating to members and their personal information are dealt with by ComSuper's FOI Unit.

Enquiries relating to the disclosure of information about members of the CSS, PSS and PSSap, under the provisions of the FOI Act should be made in writing to:

Postal address	FOI Unit ComSuper PO Box 22 Belconnen ACT 2616
Phone	02 6272 9080
Fax	02 6272 9804
TTY	02 6272 9827
Email	foi@comsuper.gov.au

Decisions to grant access, levy charges, or refuse access are made by an appropriate delegate in the FOI Unit.

Matters relating to the management and investment of the schemes and matters relating to investment governance are dealt with by ARIA.

Table A1: Freedom of information requests 2010/11

	CSS	PSS	PSSap	Total
Total number of requests	42	42	6	90
Number fully granted	40	41	5	86
Number partially granted	1	1	1	3
Number refused	1	0	0	1
Number transferred to other agencies	0	0	0	0
Number of requests for internal review under section 54B	0	0	0	0
Number of requests for review by the Information Commissioner (part VII of the FOI Act)	0	0	0	0
FOI requests not finalised – consultation in progress	0	0	0	0
Number withdrawn	0	0	0	0

Note: This table includes both ARIA and ComSuper statistics.

From 1 May 2011 agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report.

The text of section 8 of the FOI Act prior to 1 May 2011 is available on the Comlaw website at: <http://www.comlaw.gov.au/Details/C2011C00138>

Further information on section 8 statement requirements is available from the Department of the Prime Minister and Cabinet FOI Guidelines, Reporting and Disclosure Obligations of Agencies, available online at <http://www.dpmc.gov.au/foi/guidelines.cfm>.

ARIA publishes the following communications, publications and fact sheets for the benefit of members. In addition to those publications listed below there are also calculators and a wide range of other tools and information for members available online.

Annual reports

- ARIA Annual Report to Parliament
- Annual reports and guides to members
- ARIA annual trustee report

Newsletters

- Employer news – issued monthly via email and online
- Aspire... your super update – issued quarterly online
- Pensioner news – issued twice a year via mail
- On the case - issued quarterly online

Pensions

- Death benefits
- Good news about completing your tax return
- Tax and your CSS benefit
- Tax and your PSS benefit
- The super surcharge
- Taxation concessions for pensions

Employers

Quick guides

- Membership eligibility
- Part-time members
- What to do in the case of a contributing member's death
- Casuals
- Continuous service and membership numbers
- How to complete departmental reports for CSS and PSS members
- Tax file numbers
- 0% member contributions in the CSS and PSS
- Salary reductions
- Transition to retirement (CSS only)
- Part-time members (CSS only)
- Commencing new members (PSSap only)
- Ceasing members (PSSap only)
- PSS members ceasing scheme membership – administration arrangements
- PSS members electing to cease membership

Training notes

PSSap training notes

Employer training manual

PSS training notes

Contributions

Employer productivity superannuation

General benefit accrual

Medical status

Membership

Part-time and casual membership

Reduction in salary

Salary for superannuation

Shift allowance

CSS training notes

Contributions

Employer productivity superannuation

General benefit accrual

Membership

Permanent part-time membership

Reduction in salary

Shift allowance

Other

Employer services online

Invalidity notes

CSS PIP application – help sheet

PSS PIP application – help sheet

PSS PIP review – help sheet

CSS

Publications

CSS product disclosure statement (including supplementary and online updates)

Market volatility and your super – 5 steps to guide you through

CSS benefit tables

Financial services guide

Family law and splitting super: how it's done and what happens next

Service charter of our administrator ComSuper

Review: quarterly investment report

Explore... your expanded options booklet

Fact sheets

- Accessing your super information online
- Age retirement benefits
- Allocation of CSS fund earnings
- Cash Investment Option
- Changing from permanent full-time to permanent part-time
- Contributing to the CSS
- Death benefits
- Early access to superannuation benefits
- How the 1 July 2007 changes affect you in the CSS
- How the 1 July 2007 changes affect you in the CSS (deferred)
- Incapacity benefits
- Leave without pay
- Postponement of benefits
- Preservation of benefits
- Retrenchment
- Salary reduction and your super
- Super co-contributions
- Superannuation contributions surcharge
- Tax and your CSS benefit
- Taxation concessions for pensions
- Transfers in
- Transition to retirement

PSS

Publications

- PSS product disclosure statement (including supplementaries and online updates)
- The PSS super book: your guide to the PSS
- Service charter of our administrator ComSuper
- Market volatility and your super – 5 steps to guide you through
- Financial services guide
- Family law and splitting super: how it's done and what happens next
- Review: quarterly investment report
- Explore... your expanded options booklet

Fact sheets

- Additional death and incapacity cover
- Allocation of PSS fund earnings
- Cash Investment Option for preserved benefit and associate members
- Ceasing PSS membership
- Changing from full time to part time

Contributing to the PSS
Death benefits
Early access for superannuation benefits
Getting info online
How the 1 July 2007 changes affect you in the PSS (contributor)
How the 1 July 2007 changes affect you in the PSS (preserver)
Invalidity benefits
Leave without pay
Maximum benefit limits
Multiple PSS memberships
Preservation of benefits
Rolling money into the PSS
Retrenchment benefits
Salary reductions and your PSS super
Super co-contributions
Superannuation contributions surcharge
Tax and your PSS benefit
Taxation concessions for pensions
Transition to retirement

PSSap

Publications

PSSap product disclosure statement (including supplementaries and online updates)
Financial services guide
Your quick guide to the PSSap
Market volatility and your super – 5 steps to guide you through
Review: quarterly investment report

Fact sheets

Beneficiary nomination
Contributions
Dependants
How the changes to tax on super affect you in the PSSap
Income protection claims
Insurance
Super co-contributions
Superannuation salary
Tax and your super
Transfers
Type of employment
Withdrawing your super

Contact officer

Information relating to ARIA, or the schemes it manages, is made available to Members of Parliament, Senators and members of the public on request.

In the interests of timeliness and conciseness, this report has been designed to provide fundamental information. Requests for more detailed information should be directed to:

Web	www.aria.gov.au
Street address	ARIA Level 8 121 Marcus Clark Street Canberra City ACT 2601
Postal address	ARIA GPO Box 1907 Canberra City ACT 2601
Phone	02 6263 6999
Fax	02 6263 6900
TTY	02 6272 9827
Email	secretary@aria.gov.au

List of requirements

While this report is not a departmental annual report, ARIA has endeavoured to comply with the 'Requirements for Annual Reports', where applicable. Details of the scheme administrator's (ComSuper) operations are provided separately in the Commissioner for Superannuation Annual Report 2010/11.

Description	Requirement	Page
Letter of transmittal	Mandatory	v
Table of contents	Mandatory	vii
Index	Mandatory	253
Glossary	Mandatory	251
Contact officer(s)	Mandatory	242
Internet home page address and internet address for report	Mandatory	ii
Review by departmental secretary	Mandatory	xv-xix
Summary of significant issues and developments	Suggested	xvii-xix, 25-26
Overview of department's performance and financial results	Suggested	7-9, 13-34
Outlook for following year	Suggested	xix
Overview description of department	Mandatory	13-17, 234
Role and functions	Mandatory	2, 7, 234
Organisational structure	Mandatory	19-34, 234
Outcome and program structure	Mandatory	11-12
Where outcome and program structures differ from PB Statements/ PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	-
Review of performance during the year in relation to programs and contribution outcomes	Mandatory	13-34
Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	13-34
Performance of purchaser/provider arrangements	Suggested	9, 20-21, 246-248
Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	-
Narrative discussion and analysis of performance	Mandatory	13-34
Trend information	Mandatory	37, 41

Appendix G: List of requirements – cont'

Description	Requirement	Page
Factors, events or trends influencing departmental performance	Suggested	xvii, 25-31
Significant changes in nature of principal functions/services	Suggested	-
Performance against service charter customer service standards, complaints data, and the department's response to complaints	Mandatory	41-44
Contribution of risk management in achieving objectives	Suggested	10
Social justice and equity impacts	Suggested	-
Discussion and analysis of the department's financial performance	Mandatory	8-9
Discussion of any significant changes from the prior year or from budget	Suggested	xiii, xvii, 25-31
Agency resource statement and summary resource tables by outcomes	Mandatory	250
Developments since the end of the financial year that have affected or may significantly affect the department's operations or financial results in future	Mandatory	xiii, xix, 232
Statement of the main corporate governance practices in place	Mandatory	10
Names of the senior executive and their responsibilities	Suggested	233
Senior management committees and their roles	Suggested	-
Corporate and operational planning and associated performance reporting and review	Suggested	7-8
Approach adopted to identifying areas of significant financial or operational risk and arrangements in place to manage risks	Suggested	10-11
Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines	Mandatory	11
Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	10
How nature and amount of remuneration for SES officers is determined	Suggested	7
Significant developments in external scrutiny	Mandatory	41-44
Judicial decisions and decisions of administrative tribunals	Mandatory	43
Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	44
Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	7-8
Workforce planning, staff turnover and retention	Suggested	7
Impact and features of enterprise or collective agreements, Individual flexibility arrangements (IFAs) determinations, common law contracts and AWAs	Suggested	-

Description	Requirement	Page
Training and development undertaken and its impact	Suggested	8
Occupational health and safety performance	Suggested	8
Productivity gains	Suggested	-
Statistics on staffing	Mandatory	7
Certified agreements, IFAs determinations, common law contracts and AWAs	Mandatory	-
Performance pay	Mandatory	7
Assessment of effectiveness of assets management	Mandatory	9
Assessment of purchasing against core policies and principles	Mandatory	9
Summary statement detailing new consultancy services contracts let during the year	Mandatory	9, 246-247
Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	-
Contracts exempt from the AusTender	Mandatory	246-247
Financial statements	Mandatory	45-229
Occupational health and safety (section 74 of the <i>Occupational Health and Safety Act 1991</i>)	Mandatory	8
Freedom of Information (subsection 8 (1) of the <i>Freedom of Information Act 1982</i>)	Mandatory	235-236
Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	248
Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	9
Grant programs	Mandatory	-
Disability reporting - explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	249
Correction of material errors in previous annual report	Mandatory	-
List of requirements	Mandatory	243-245

New consultancies

ARIA engages consultants where specialist skill or expertise is required or where internal resources are unavailable. Consultants are typically engaged to:

- > investigate or diagnose a defined issue
- > carry out defined reviews or evaluations
- > provide independent advice, information or solutions to assist ARIA in its decision making.

These consultancies are distinguished from other service provider contracts by the nature of the work performed, which typically involves the application of expert professional skills and the exercising of expert judgement.

ARIA administration consultancies

Policy

ARIA's policy on selection and engagement of consultants accords with its purchasing principles and policies outlined in Section 5 – ARIA.

Table A2 provides details of consultancies engaged by ARIA during 2010/11 with a contract value, GST inclusive, of \$10,000 or more.

This list includes contracts referring to the administration of the schemes and excludes contracts related to the management and investment of the three funds.

Table A2: New consultancies 2010/11

Consultant name	Description	Value \$	Selection method	Principle justification
David Lawson	Succession planning advice	12 712	Direct	B
Dymond Foulds & Vaughan	PSSap outsourcing -advice	17 585	Direct	B
PriceWaterhouse Coopers	Complaints handling process - advice	68 546	Direct	B
PriceWaterhouse Coopers	Business continuity audit	11 000	Direct	B
Professional Financial Services	Superannuation industry advice	22 000	Direct	B
Rayndawn Pty Ltd	PSSap outsourcing - advice	12 870	Direct	B

Table A2: New consultancies 2010/11 (continued)

Consultant name	Description	Value \$	Selection method	Principle justification
Ipsos	Member seminars evaluation	27 842	Direct	B
Ipsos	Member survey	33 400	Direct	B
ORIMA	Member related research	42 272	Direct	B
Total new consultancies		248 227		

Selection method categories		Justification categories	
The selection methods used for consultancies are categorised as follows:		A	Need for access to the latest technology.
Open tender	Public tenders are sought from the marketplace using national and major metropolitan newspaper advertising.	B	Need for specialised skills.
Select tender	Tenders are invited from a short list of competent suppliers.	C	Need for an independent view.
Direct sourcing	Single supplier invited to bid reflecting unique qualifications or circumstances.		

Table A3: Legal services expenditure 2010/11

	Expenditure \$
Mallesons Stephen Jaques	166 602.99
McArdle Legal	2 310.00
DLA Phillips Fox	550.00
Australian Government Solicitor	59 908.76
Henry Davis York	49 675.69
Allens Arthur Robinson	17 435.00
Total	296 482 .44

Advertising and market research

In respect of public monies, during 2010/11 the expenditure for advertising and market research on contracts individually more than \$11,200 (inclusive of GST) amounted to \$103,514.02 (inclusive of GST).

The following list contains details of payments, as required under section 311A of the *Commonwealth Electoral Act 1918*. All amounts include GST.

Table A4: Advertising and market research expenditure 2010/11

Organisation	Purpose	Expenditure \$
Ipsos	Member related research	61 242
ORIMA	Member related research	42 272
Total		103 514

National Disability Strategy

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. From 2010-11, departments and agencies are no longer required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy which sets out a ten year national policy framework for improving life for Australians with disability, their families and carers. A high level report to track progress for people with disability at a national level will be produced by the Standing Council on Community, Housing and Disability Services to the Council of Australian Governments and will be available at www.fahcsia.gov.au. The Social Inclusion Measurement and Reporting Strategy agreed by the Government in December 2009 will also include some reporting on disability matters in its regular *How Australia is Faring report* and, if appropriate, in strategic change indicators in agency Annual Reports. More detail on social inclusion matters can be found at www.socialinclusion.gov.au.

ARIA recognises and considers the needs of people with disabilities when developing and delivering policy, programs and services. Through the scheme administrator, we have:

- > engaged an independent company to carry out client satisfaction surveys annually. Those surveys seek feedback on members' satisfaction with our services including telephone advice, benefit payments, written estimates, seminars, counselling services and online services. Superannuants are another client group which was surveyed.
- > provided access to a TTY Telephone Typewriter Service (TTY), which is available through a separate telephone number and directed to a trained Customer Service Representative.
- > Customer Service Representatives that aim to meet the needs of a culturally and linguistically diverse and indigenous clientele. Our Customer Service Centre provides members with verbal and written information and scheme-specific email addresses.
- > quality improvement and assurance mechanisms used during the year consisted of client satisfaction surveys, which have been conducted since the 1997/98 financial year.

Summary resource table by outcomes

Outcome 1 – Retirement benefits for past and future Australian Government employees through investment and administration of government superannuation funds and schemes.

	Budget	Actual expenses	Variation
	2010/11 \$'000	2010/11 \$'000	\$'000
Price of departmental outputs			
Program 1.1 – Superannuation scheme governance			
Revenue from other sources	18 709	16 194	2 515
Total price of Outputs	18 709	16 194	2 515
Total for Outcome 1	18 709	16 194	2 515

Glossary

AAS25	Australian Accounting Standard 25
AASB	Australian Accounting Standards Board
AAT	Administrative Appeals Tribunal
ABM	Accrued Benefit Multiple
ABN	Australian Business Number
ACTU	Australian Council of Trade Unions
administrator	ComSuper, Commissioner for Superannuation
AD(JR) Act	Administrative Decisions (Judicial Review) Act 1977
AFS	Australian Financial Services
ANAO	Australian National Audit Office
APRA	Australian Prudential Regulation Authority
ARIA	Australian Reward Investment Alliance
ASFA	Association of Superannuation Funds of Australia
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AWA	Australian workplace agreement
BZW	Barclays der Zoete Wedd
CEO	Chief Executive Officer
CPI	Consumer Price Index
CPSU	Community and Public Sector Union
CRF	Consolidated Revenue Fund
CSS	Commonwealth Superannuation Scheme
CSS Act	Superannuation Act 1976
ESG	Environmental, social and corporate governance
FBT	Fringe benefit tax
FMA Act	Financial Management and Accountability Act 1997
FOI	Freedom of information
GAS	Governance Advisory Service
GST	Goods and services tax
HTML	Hypertext Markup Language
HTTP	Hypertext Transfer Protocol
IAG	Insurance Australia Group Limited
ISBN	International Standard Book Number
ISSN	International Standard Serial Number
MBL	Maximum Benefit Limit
MSCI	Morgan Stanley Capital International Inc
OECD	Organisation for Economic Co-operation and Development

p.a.	per annum
PBS	Portfolio Budget Statement
PAES	Portfolio Additional Estimates Statements
PDS	Product disclosure statement
PSS	Public Sector Superannuation (scheme)
PSS Act	Superannuation Act 1990
PSSap	Public Sector Superannuation accumulation plan
PSSap Act	Superannuation Act 2005
PRI	Principles for Responsible Investment
RAC	Reconsideration Advisory Committee
RSE	Registrable Superannuation Entity
S&P	Standard and Poor's
SCT	Superannuation Complaints Tribunal
SES	Senior Executive Service
SIS Act	Superannuation Industry (Supervision) Act 1993
SPIN	Superannuation Product Identification Number
SRC Act	Superannuation (Resolution of Complaints) Act 1993
TTY	Text Telephone (tele-typewriter)
UN	United Nations

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