09-10

ARIA Annual Report

CSS | PSS | PSSap

ARIA

CSS > PSS > PSSap

ISSN: 1442 6692
ISBN: 978 1 921246 47 0

Street address	Level 10 12 Moore Street Canberra City ACT 2601	
Postal address	GPO Box 1907 Canberra City ACT 2601	
Phone	02 6263 6999	
Fax	02 6263 6900	
ARIA	ABN: RSEL: Website: Annual report:	48 882 817 243 L0001397 www.aria.gov.au www.aria.gov.au/about_us/annual_reports.htm
CSS	ABN: RSE: SPIN: Website: Annual report:	19 415 776 361 R1004649 CMS0100AU www.css.gov.au www.css.gov.au/documents/annual_reports.shtml
PSS	ABN: RSE: SPIN: Website: Annual report:	74 172 177 893 R1004595 CMS0101AU www.pss.gov.au www.pss.gov.au/documents/annual_reports.shtml
PSSap	ABN: RSE: SPIN: Website: Annual report:	65 127 917 725 R1004601 PSS0001AU www.pssap.gov.au www.pssap.gov.au/about_us/annual_reports.htm

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.

1. Letter of transmittal

Letter of transmittal

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

Dear Minister

In accordance with section 161 of the *Superannuation Act 1976* (the CSS Act), section 28 of the *Superannuation Act 1990* (the PSS Act) and section 26 of the *Superannuation Act 2005* (the PSSap Act), Australian Reward Investment Alliance (ARIA) is pleased to present to you the Annual Report on its operations during 2009/10. 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 2010.

Subsection 162(2) of the CSS Act, subsection 28(3) of the PSS Act and subsection 26(3) of the PSSap Act require 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
Chairman
ARIA

24 September 2010

2. Contents

Contents

Contents

Tables

Charts

Illustrations

3. Chairman's report

Chairman's report

This is my inaugural report as ARIA Chairman, having been appointed in December 2009.

ARIA continued its core business focus on delivering competitive long-term investment returns for members during 2009/10. All investment options delivered positive returns over the past year.

The CSS Default Fund recorded a return of 10.7% (after fees and taxes) and the PSS Default Fund returned 10.5% (after fees and taxes). Both the CSS and PSS Cash Investment Options achieved a net return of 3.2%.

The PSSap's default option, Trustee Choice, in which the majority of PSSap members invest, had a return of 10.3% (after fees and taxes).

There was a significant amount of activity in 2009/10 in relation to our schemes specifically and the superannuation industry generally.

The CSS and PSS performed well above the median super fund returns for one, three and 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 performed better than the median super fund in the past three years and since its inception in July 2005. Our focus during the year ahead will be to maintain and enhance our investment performance.

In 2008 the government announced a package of reforms to improve the governance and administration of Australian Government superannuation schemes. Work on the proposed merger of ARIA and the Military Superannuation Board continued. As the merger was planned to start on 1 July 2010, much trustee and senior management attention during the year was on facilitating this change. However, the bills effecting the proposed merger, and other governance and administration reforms, were not passed by the Senate prior to the announcement of the election.

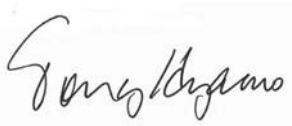
In November 2009 the government announced plans to reform our administrator, ComSuper, including outsourcing the PSSap scheme administration, data quality improvements and system enhancements.

At the end of the financial year, the government released the Cooper Review of the governance, efficiency, structure and operation of Australia's superannuation system. The review proposed a number of changes and the trustees look forward to government decisions on the recommendations in due course.

In the coming year we will continue to work 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. These are important reforms to ensure our members continue to enjoy the benefits of competitive superannuation offerings.

I thank my fellow trustees for their contribution in 2009/10. During the year Steven Crane resigned from his position on 27 October 2009 and Dennis Trewin was reappointed until 30 June 2012.

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

4. 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

Executive summary

Investment results

ARIA finished 2009/10 with more than $18b funds under management and 487,549 members in the CSS, PSS and PSSap. The PSSap continued to grow strongly with 97,844 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 one, three and five years in the SuperRatings performance data. The PSSap Trustee Choice option performed better than the median super fund in the past three years and since its inception five years ago. 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 10.7% and the PSS Default Fund posted a net return of 10.5%. The return from both funds was buoyed by a pick-up in global economic growth, an improvement in investor risk appetite and an associated recovery in financial market performance.

The CSS Default Fund achieved an average net return (after fees and tax) of -2.8% per annum in the three years to 30 June 2010. This compared with a five-year average net return of 3.9% per annum and seven-year average net return of 6.7% per annum.

The PSS Default Fund achieved an average net return of -2.8% per annum in the three years to 30 June 2010. This compared with a five-year average net return of 4.1% per annum and seven-year average net return of 6.8% per annum.

CSS and PSS Cash Investment Options

The CSS and PSS Cash Investment Options both posted a net return of 3.2% for the year ending 30 June 2010, which is in line with their objectives once the impact of tax on returns is taken into account. The inflows to the Cash Investment Option continue to indicate that members use this to achieve a higher degree of certainty as they approach retirement.

PSSap

Over the financial year to 30 June 2010, the PSSap's default fund (Trustee Choice) advanced by 10.3%, buoyed by strong advances in listed and unlisted equity markets and credit markets. This was supported by solid rises in Government bonds and market neutral funds. Over the five years since inception, PSSap's Trustee Choice achieved a net return of 4.2% per annum.

Executive summary

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.

An outcome of the reforms was the proposed merger of the boards of ARIA, the Military Superannuation and Benefits Scheme (MSBS) and the Defence Force Retirement and Death Benefits Scheme (DFRDB) to form a single trustee board on 1 July 2010. The project entailed a change to the structure of the existing ARIA board and an integration of the assets of military superannuation schemes into the ARIA Investments Trust. However, the bills effecting the proposed merger, and other governance and administration reforms, were not debated in the Senate prior to the election announcement.

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 reforms will not impact members' benefits or entitlements and will not affect administration of the PSS and CSS.

Major events and developments

A major focus of attention in 2009/10 was risk management. This included a reassessment and analysis of our risks, and the allocation of a dollar value to the key business risks.

New government superannuation proposals were announced in the 2010 Budget. The government estimated that increasing the super guarantee rate to 12 per cent would increase the final retirement balance by $108,000 for full-time workers aged 30 today, and by $78,000 for people with broken working patterns. If the proposed changes are implemented, the government estimates they will increase Australia's existing super savings by $85 billion over 10 years and $500 billion by 2035.

On 30 June 2010, the government released the Cooper Review of the governance, efficiency, structure and operation of Australia's superannuation system. The review recommended a number of changes aimed at improving the governance, regulation and integrity of the system and re-casting super to be member– rather than industry–orientated.

Executive summary

Investment governance

In 2007/08 the ARIA trustees adopted a world best practice investment governance structure following a review undertaken by Watson Wyatt. In 2009/10 ARIA continued to improve critical components of that structure, which is aimed at improving and sustaining high levels of investment governance to enhance our capabilities in one of our core areas of activity – investment.

Service to members

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 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 2009/10 ARIA held workshops at 86 locations around Australia. There were 215 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. 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 new Service Level Agreement (SLA) came into operation on 1 July 2009. The SLA incorporated new standards for the CSS, PSS and the PSSap.

Administration

During 2009/10, ComSuper focused on:

- ensuring quality through providing timely, accurate, complete and consistent services to members on ARIA's behalf
- creating an environment that fosters a highly capable and committed workforce
- increasing the confidence of key stakeholders by providing high quality services
- improving data quality.

Executive summary

Regulatory and policy environment

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

- The *Fair Work (State Referral and Consequential and Other Amendments) Act 2009* amended the CSS Act to include the definition of an 'industrial award' to incorporate amendments as a result of the *Fair Work Act 2009*. These amendments had effect from 1 July 2009.
- The *Fair Work (State Referral and Consequential and Other Amendments) Act 2009* amended the PSS Act to include the definition of an 'industrial award' to incorporate amendments as a result of the *Fair Work Act 2009*. These amendments had effect from 1 July 2009. There have been no amendments to the PSS Trust Deed.
- There have been no amendments to the PSSap Act. There have been no amendments to the PSSap Trust Deed.

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 2010/11 will have three areas of focus:

(a) continued enhancement of risk management in all aspects of our business;

(b) working with government on key policy initiatives including scheme administration and governance reforms;

(c) 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.

Lochiel Crafter
Chief Executive Officer

5. ARIA

ARIA

ARIA trustees

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, three by the Australian Council of Trade Unions (ACTU) and the Chairman is independent.

The Chairman and the ACTU nominees are appointed for periods not exceeding three years (but are eligible for reappointment) and the other members hold office for such period as the Minister determines. Members holding office between 1 July 2009 and 30 June 2010 are:

Mr Tony Hyams
Chairman
First appointed
21 December 2009
Term expires
25 November 2012

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 expires
12 March 2012

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).

ARIA

Mr Peter Feltham
First appointed
1 July 2005
Term expires
17 July 2012

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
Term expires
30 September 2010

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 expires
30 September 2010

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.

ARIA

Mr Dennis Trewin AO
First appointed
20 December 2007
Term expires
30 June 2012

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 Steven Crane
First appointed
1 October 2007
Resigned
27 October 2009

Mr Crane is a Member of the RBS Advisory Council, Chairman Global Valve Technology Limited, a Director of Transfield Services, the Sunnyfield Association, APA Ethane Limited, Taronga Conservation Society Australia and the Bank of Queensland. He started his career in the financial markets with AMP and has held various positions including Chief Executive of BZW Australia and ABN AMRO. He has also been a non-executive director of listed companies Investa Property Group (Chairman 2006-2007), Foodland Associates (2003-2005) and Adelaide Bank (2006-2007).

Ms Susan Doyle
Chairman
First appointed
28 July 2003
Term expired
27 July 2009

Ms Susan Doyle was appointed Chairman of ARIA on 28 July 2003. Ms Doyle has many years of experience in the area of superannuation and investments.
Ms Doyle has worked for Commonwealth Funds Management, Suncorp Insurance and Finance and IAG Ltd. Ms Doyle holds several non-executive board positions including Guardian of the Future Fund.

Trustee and trustee committee meetings

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

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 2009/10

	Trustee meetings		Audit and Risk Management Committee meetings	
	Attended	Eligible to attend	Attended	Eligible to attend
Susan Doyle	1	1	0	0
Steven Crane	4	4	0	0
Brian Daley	8	8	0	0
Peter Feltham	7	7	5	5
Margaret Gillespie	8	8	0	0
Winsome Hall	8	8	5	5
Dennis Trewin	8	8	5	5
Tony Hyams	3	3	0	0

ARIA

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 2009/10, ARIA employee numbers decreased from 55 to 51 reflecting timing of changes in personnel.

Employee profile

Table 2: Employee numbers at 30 June 2010

Employment category	Male	Female	Total
Full-time employees	22	22	44
Part-time employees	3	4	7

Performance pay

During 2009/10, ARIA paid a total of $615,385 in performance bonuses to 46 employees. The average performance bonus paid was therefore $13,378.

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 9).

During 2009/10, 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

ARIA is the Trustee of the PSSap, PSS and CSS, and is responsible for the management and investment of their funds. Investment costs are met from 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.

Most other costs incurred by ARIA are met through a user-charging arrangement with employer agencies whereby ARIA receives a share of an administration fee. ARIA is a prescribed agency under the *Financial Management and Accountability Act 1997* (FMA Act), in respect of public monies. The management of the administration monies and any other public monies received by ARIA is carried out in accordance with the requirements of that Act.

For 2009/10, the government provided additional funding to ARIA to be applied to the costs of the proposed merger of ARIA with the MSB.

Financial performance

Revenue and expenses were within budget for the year and ARIA recorded a surplus of $0.13m. ARIA's business expenses were $15.36m, of which $4.31m 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 $11.02m of expenses was met proportionately from the investment assets of the PSSap, PSS and CSS.

ARIA

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 value for money principles in all aspects of its operations including investment management activities.

Consultants

During 2009/10, ARIA entered into 26 new consultancy contracts (in respect of public monies) involving total actual expenditure of $529,732. In addition, three ongoing consultancy contracts were active during the year, involving total actual expenditure of $236,124.

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 foundation 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 2009/10 ARIA worked towards reducing the volume of print material distributed to its 487,549 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.

ARIA

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.

Lochiel Crafter
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	2009/10 target	2009/10 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 6.8%
Compliance with *Superannuation Industry (Supervision) Act 1993*, *Superannuation Act 1976*, *Superannuation Act 1990*, *Superannuation Act 2005* and the *Corporations Act 2001*	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	Industry standard service requirements with ComSuper implemented 1 July 2009

6. Overview

Overview

Overview

Table 4: Overview of the schemes 30 June 2010

	CSS	PSS	PSSap
Established	The CSS was established on 1 July 1976 by the *Superannuation Act 1976*	The PSS was established on 1 July 1990 by the *Superannuation Act 1990*	The PSSap was established on 1 July 2005 by the *Superannuation Act 2005*
Type	Combination of accumulation and defined benefit plans	Defined benefit plan	Accumulation plan
Funds under management as at 30 June 2010	4 757 million+	11 382 million+	1 950 million+
Members* as at 30 June 2010	143 443	246 262	97 844
Employer agencies as at 30 June 2010	212	212	186

*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 a cap in any ten years of total membership.

Overview

For preserved benefit members, investment performance has a more direct impact on their final benefit. Any member and productivity components will grow 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 from the PSS. 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

Overview

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 3% productivity contribution) as a percentage of salaries	21.4%	16.3%	28.2%	15.6%	28.3%	15.4%

Overview

The notional employer contribution rates are the employer contribution rates necessary to ensure that employer financed benefits payable 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.

7. 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

Investments

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 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 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, which is generally a share of any excess performance above that agreed benchmark.

Investments

Table 8: Investment managers 2009/10

452 Capital Pty Limited
Alleron Investment Management Limited
AMP Capital Investors Limited
Arcadia Funds Management Limited
Aurora Investment Management LLC
AXA Rosenberg Investment Management Ltd
Balanced Equity Management Pty Limited
Barclays Global Investors Australia Limited
BlackRock Financial Management
Bridgewater Associates, Inc
Colonial First State Property Limited
Concord Capital Limited
Dexus Property Group Limited
Eureka Funds Management Company
GMO Australia Limited
Holowesko Partners Limited
Integrity Investment Management Limited
Lend Lease Real Estate Investments Limited
Loomis Sayles & Company LP
Macquarie Investment Management Limited
Marathon Asset Management Limited
Marvin & Palmer Associates Inc
MIR Investment Management Limited
Northward Capital Investment Management Limited
Orbis Investment Management Limited
Paradice Investment Management Limited
Perpetual Investments
PIMCO Australia Pty Ltd
Platinum Asset Management
Principal Global Investors (Australia) Limited
Rexiter Capital Management Limited
Rogge Global Partners PLC
Schroder Investment Management Australia Limited
Solaris Investment Management Limited
State Street Global Advisors Limited
Vanguard Investments Australia Limited
Wellington International Management Company Pte Limited

Note: These are only the investment managers that hold more than 1% of the fund.

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.

Investments

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 Warburg Australian Bank Bill Return 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,

Investments

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 match the return of the hedged World Government Bond Index.

Australian shares

The key investment objective is, before the payment of tax, to at least match the performance of the ASX 300 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 hedged MSCI World ex Australia Index.

Property

The key investment objective is, before the payment of tax, to at least match the return from the Mercer/IPD Unlisted Property Index.

Sustainable

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

Cash

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

Investments

Asset allocation

The following tables set out the actual asset allocation for the CSS and PSS default funds as at 30 June 2010.

Table 9: CSS Default Fund asset allocation

Asset class	Actual asset allocation	
	2009	2010
Australian equity	25.5	27.1
International equity	23.9	27.6
Long/short equity funds	3.4	2.2
Real assets	16.7	14.3
Alternatives	9.4	11.8
Fixed income	11.3	11.8
Cash	9.8	5.2
Total fund	**100.0**	**100.0**

Table 10: PSS Default Fund asset allocation

Asset class	Actual asset allocation	
	2009	2010
Australian equity	25.4	27.2
International equity	23.9	27.6
Long/short equity funds	3.4	2.2
Real assets	16.7	14.3
Alternatives	9.4	12.0
Fixed income	11.3	11.9
Cash	9.9	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 2010.

Table 11: PSSap pre-mixed investment options asset allocation

Asset class	Trustee Choice		Conservative		Balanced		Aggressive	
Asset allocation	2009	2010	2009	2010	2009	2010	2009	2010
Australian equity	25.5	27.1	13.1	11.7	15.8	15.3	37.7	36.9
International equity	23.9	27.6	12.0	8.9	15.4	14.3	31.8	30.7
Long/short equity funds	3.4	2.2	-	-	4.0	3.9	4.0	-
Real assets	16.7	14.3	4.8	6.0	11.6	12.1	14.5	15.2
Alternatives	9.4	12.0	-	-	17.1	20.2	6.0	8.1
Fixed income	11.3	11.9	50.1	43.3	31.1	24.2	4.0	6.1
Cash	9.8	4.9	20.0	30.1	5.0	10.0	2.0	3.0
Total fund	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Investments

Events during the year

Some of the key investment related events for 2009/10 are described below.

Australian equities

The portfolio's annual review culminated in the termination of four investment mandates and the funding of five new investment mandates. A transition manager was engaged to manage this process, to ensure risk was properly managed and minimal transaction costs were incurred.

International equities

One investment mandate was terminated during the year. The redeemed funds were invested in a new investment mandate. The foreign currency hedging policy was revised during the year from a strategic hedging range of 45-70%, to a strategic hedging range of 45-75%. At the end of 2009/2010, 55% of the developed market foreign currency exposure was hedged back into Australian dollars.

Alternative investments

The fund's exposure to alternative investments increased during the year, reflecting commitments of $A 171.0m to new 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 1,020.1m at the start of the year to $A 1,225.4m at 30 June 2010.

Market neutral funds

Consistent with our risk budgeting processes, we increased our allocation to a globally diversified fund to exploit macro economic opportunities and increase downside protection for the portfolio.

Long/short equity funds

During the year, the strategic asset allocation target for long/short investments was decreased. The benchmark for the sector was changed to the MSCI World ex Australia Index to better reflect the long term objective of the sector.

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 Index hedged into Australian dollars, to the Barclays Global Aggregate ex Treasuries ex Government Related Index hedged into Australian dollars. One investment mandate was terminated and two new mandates were established. The sector now has mandates with three active investment managers.

Global government bonds

Both the nominal global government bonds and inflation-linked global government bonds sectors are currently passively managed. The nominal global government bonds sector aims to help protect the fund from the negative consequences of any deflationary environment or falling growth environment. The investment in inflation-linked global government bonds has the objective of providing some protection against a material increase

Investments

in long-term inflation. There were no changes to the management of either sector during the year.

Property

An $80.2 million capital distribution was received during the year from one of the fund's pooled property trust investments, following sale of the trust's sole Sydney CBD office asset. An additional $40.3 million investment was made into a retail sector pooled property trust.

A development application was lodged for a proposed major redevelopment of the fund's directly-owned retail asset, Indooroopilly Shopping Centre.

Fund performance

CSS and PSS Default Funds

In the 2009/10 financial year, the CSS Default Fund posted a net return of 10.7% and the PSS Default Fund posted a net return of 10.5%.

After two negative return years through the financial crisis, the Default Fund performance was strong this year as equity and credit markets normalised from distressed levels and our active managers took advantage of pricing opportunities in securities supported by fundamentals. Australian listed equities finished the year with a return of 13.1%, due largely to strong rises in listed property, financial, information technology, consumer and materials stocks. International equities rose by 11.5% in hedged terms and 5.2% in unhedged terms. Unhedged returns were lower because of the negative translation effect of a rise in the value of the Australian dollar. Global investment grade credit in hedged terms advanced by 14.3%.

Other asset class performance was also strong. Government bonds and market neutral funds performed solidly, achieving returns that were close to double-digit figures. All of ARIA's actively managed sectors outperformed their benchmarks over the year to 30 June 2010.

The CSS Default Fund achieved an average net return (after fees and tax) of -2.8% per annum in the three years to 30 June 2010. This compared with a five-year average net return of 3.9% per annum and seven year average net return of 6.7% per annum. The fund has recovered back towards its target return objective over the seven year period to June 2010.

The PSS Default Fund achieved an average net return (after fees and tax) of -2.8% per annum in the three-years to 30 June 2010. This compared with a five-year average net return of 4.1% per annum and seven-year average net return of 6.8% per annum. The past year's returns have driven the recovery in the fund's performance back towards its long-term objective over our seven year investment horizon.

Investments

CSS and PSS Cash Investment Options

The CSS and PSS Cash Investment Options both posted a net return of 3.2% for the year ending 30 June 2010. 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 2010, the PSSap default fund (Trustee Choice) advanced by 10.3%, as financial markets recovered post the financial crisis and our managers exploited pricing opportunities in securities. All of ARIA's actively managed sectors outperformed their benchmarks over the year to 30 June 2010.

The other three pre-mixed, diversified options also produced strong returns in 2009/10. The Aggressive option recorded a net return of 12.4%, reflecting a higher exposure to listed global equity markets. The Balanced and Conservative options achieved net returns of 9.9% and 8.6%, respectively.

Single asset class option performance in 2009/10 also reflected the improved fortunes of financial markets. Strong positive returns were recorded by the Australian shares, Sustainable and International shares options, as well as the more defensive assets with the Government bonds option rising by 7.5% and the Property option advancing by 5.8% over the year.

In the five years since inception, the highest single asset class option return was achieved by the Property option, which rose by 8.3% per annum.

Performance by asset class

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

Australian equities

After experiencing a decline of 20% in 2008/09, its third worst year since World War II, the Australian equity market, defined by the S&P/ASX 300 Accumulation Index, rebounded by 13% during 2009/10. The market's strength in 2009/10 was widespread, as evidenced by gains of 20% in listed property trusts, 18% in financial stocks, 17% in information technology stocks and 16% in material stocks. At the other end of the spectrum, energy stocks fell by 3.5% and telecom stocks rose by only a little over 1%. ARIA's actively managed portfolio outperformed the S&P/ASX 300 Accumulation Index by one percentage point during the year to deliver a return of 14.0%.

Investments

International equities

International equity markets also experienced a strong rebound during the year, with developed world equity markets rising by 11.5% in hedged terms. A strong rise in the value of the Australian dollar, particularly against the Euro and Pound, meant that investors who did not hedge their foreign currency exposures experienced a developed world equity market return of just 5.2%. ARIA's portfolio outperformed its benchmark indices by 2.6% during the year. ARIA has a higher than average allocation to emerging market equities, which outperformed their developed market counterparts and recorded a rise of just under 18%.

Corporate debt markets

Over the last year, corporate credit market returns were strong, reflecting a dissipation of financial stress and restoration of market liquidity. Global investment grade credit returned 14.3% over the year, with ARIA's portfolio outperforming its benchmark index by an additional 1.7%.

Government bonds and cash

Government bond markets performed strongly during the year, as global inflation trended down and G3 policy makers maintained very low levels of short term interest rates. Global inflation linked government bonds returned 12.2% and global nominal government bonds returned 9.2%. Six increases in the level of Australia's short term interest rates, from 3% at the beginning of the financial year to 4.5% at the end of it, resulted in cash recording a return of just under 4%.

Market neutral funds

The year provided a favourable environment for market neutral strategies. ARIA's portfolio was successful, outperforming its benchmark index by around 4%. This translated into a strong total return of around 11%.

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 rebound in listed international equities in 2009/10 but still returned a positive contribution to performance.

Investments

Table 12: CSS Default Fund investments 2009/10

	Holdings at 30 June 2009 $m	Holdings at 30 June 2010 $m	Proportion at 30 June 2010 %
Total fund investments	**4 179.6**	**4 503.1**	**100.0**
Note: Total fund investments is after tax and fees.			
Australian equity	1 049.8	1 222.6	27.1
International equity	988.6	1 243.1	27.6
Long/short equity funds	139.8	100.2	2.2
Real assets	690.3	642.4	14.3
Alternatives	389.6	531.1	11.8
Fixed income	465.7	531.5	11.8
Cash	405.7	233.9	5.2

Note: Sectors are before tax and after fees.

Table 13: CSS Default Fund performance 2009/10

	One-year performance	Three-year performance	Five-year performance	Seven-year performance
	%	%	%	%
Total fund performance	**10.7**	**-2.8**	**3.9**	**6.7**
Note: Total fund performance is after tax and fees.				
Australian shares	14.0	-7.1	5.0	9.9
International shares	14.1	-14.4	-1.5	3.9
Emerging market shares	11.6	-	-	-
Australian private equity	18.0	-3.7	3.2	10.5
International private equity	14.7	-2.8	7.5	7.6
Long/short equity funds	7.2	-6.4	1.2	-
Objective based funds	18.9	-	-	-
Market neutral fund	10.9	3.8	5.5	7.0
Property	6.5	4.3	7.8	9.2
Investment grade bonds	16.0	7.1	5.6	6.5
Index-linked bonds	12.3	-	-	-
Government bonds	9.3	-	-	-
Opportunistic credit	-	-	-	-
Cash	4.0	5.6	5.6	5.5

Note: Sectors are before tax and after fees.

Table 14: CSS Cash Investment Option fund performance 2009/10

	Holdings at 30 June 2009 $m	Holdings at 30 June 2010 $m	One-year performance %	Three-year performance %
Total fund	**536.0**	**254.0**	**3.2**	**4.6**

Note: Holdings and performance are after tax and fees.

Investments

Table 15: PSS Default Fund investments 2009/10

	Holdings at 30 June 2009 $m	Holdings at 30 June 2010 $m	Proportion at 30 June 2010 %
Total fund investments	**9 920.9**	**11 353.7**	**100.0**
Note: Total fund investments is after tax and fees			
Australian equity	2 478.2	3 067.9	27.2
International equity	2 333.4	3 122.3	27.6
Long/short equity funds	327.4	251.6	2.2
Real assets	1 633.5	1 611.2	14.3
Alternatives	915.1	1 354.5	12.0
Fixed income	1 101.8	1 348.3	11.9
Cash	967.8	547.9	4.8

Note: Sectors are before tax and after fees.

Table 16: PSS Default Fund performance 2009/10

	One-year performance	Three-year performance	Five-year performance	Seven-year performance
	%	%	%	%
Total fund performance	**10.5**	**-2.8**	**4.1**	**6.8**
Note: Total fund performance is after tax and fees.				
Australian shares	14.0	-7.1	4.8	9.8
International shares	14.1	-14.4	-1.4	3.9
Emerging market shares	11.6	-	-	-
Australian private equity	18.0	-3.7	3.8	11.1
International private equity	14.7	-2.8	8.9	8.7
Long/short equity funds	7.2	-6.4	1.2	-
Objective based funds	18.9	-	-	-
Market neutral fund	10.9	3.8	5.6	7.1
Property	6.5	4.3	7.9	9.1
Investment grade bonds	16.0	7.1	5.5	6.4
Index-linked bonds	12.3	-	-	-
Government bonds	9.3	-	-	-
Opportunistic credit	-	-	-	-
Cash	4.0	5.6	5.8	5.7

Note: Sectors are before tax and after fees.

Table 17: PSS Cash Investment Option fund performance 2009/10

	Holdings at 30 June 2009 $m	Holdings at 30 June 2010 $m	One-year performance %	Three-year performance %
Total fund	**50.9**	**29.0**	**3.2**	**4.6**

Note: Holdings and performance are after tax and fees.

Investments

Table 18: PSSap performance 2009/10

Investment option	Holdings June 2009 $m	Holdings June 2010 $m	One-year performance %	Three-year performance %	Five-year performance %
Conservative	9.7	12.1	8.6	1.4	4.2
Balanced (50/50)	11.1	18.4	9.9	0.1	4.4
Trustee Choice	1 128.4	1 770.7	10.3	-2.8	4.2
Aggressive	31.9	53.8	12.4	-4.4	4.1
Cash	28.6	39.2	3.4	4.6	4.7
Government bonds (previously Bonds/fixed interest)	3.7	4.9	7.5	2.6	2.6
Australian shares	14.7	30.1	13.1	-6.1	4.9
International shares (unhedged)	1.1	1.9	6.6	-9.6	-0.6
International shares	2.0	3.4	11.1	-11.3	-0.4
Property	5.4	9.0	5.8	4.0	8.3
Sustainable	3.8	6.8	11.6	-6.8	3.6

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

Investments

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.

Investments

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.

Regnan began in 2001 as a joint venture between the CSS and PSS Boards and Westpac Investment Management, subsequently known as BT GAS (Governance Advisory Service).

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 $4.3 billion.

Having created the foundation for a new approach to risk management, ARIA and seven other major institutional investors founded Regnan in May 2007 as a new company evolving from the former BT GAS.

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.

Investments

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

Scheme administration

Membership data

Table 19: Membership summary 30 June 2010

		Contributors	Preserved /deferred benefit members	Pensioners	Total membership 08/09*	Total membership 09/10*	Total change	% change
CSS	Male	11 643	7 316	64 782				
	Female	6 298	2 928	50 476				
	Total	**17 941**	**10 244**	**115 258**	146 277	143 443	(2 834)	(1.94)
PSS	Male	49 581	43 714	10 266				
	Female	68 254	63 629	10 818				
	Total	**117 835**	**107 343**	**21 084**	253 394	246 262	(7 132)	(2.81)
PSSap	Male	28 455	11 481					
	Female	38 872	19 036	N/A				
	Total	**67 327**	**30 517**		85 202	97 844	12 642	14.83
Total		**203 103**	**148 104**	**136 342**	**484 873**	**487 549**	**2 676**	**0.55**

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 2008/09 – 2009/10

	2008/09			2009/10				% change
	Member*	Employer*	Total*	Member*	Employer*	Total*	Difference	
CSS	$109m	$39m	$147m	$103m	$37m	$140m	($7m)	(4.76)
PSS	$543m	$217m	$760m	$550m	$223m	$773m	$13m	1.71
PSSap	$10m	$492m	$503m	$11m	$597m	$608m	$105m	20.87
Total*	**$662m**	**$748m**	**$1 410m**	**$664m**	**$857m**	**$1 521m**	**$111m**	**7.87**

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.

Scheme administration

Chart 1: Membership by type 2009/10

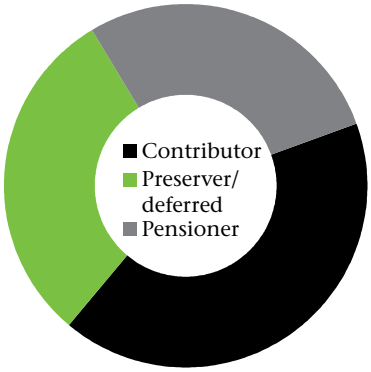


Chart 2: Membership by scheme 2009/10

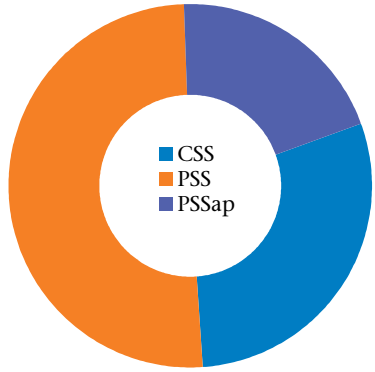


Chart 3: Membership trend by type

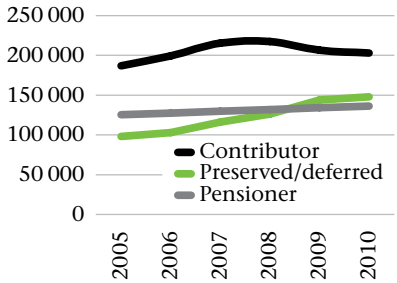


Chart 4: Membership trend by scheme

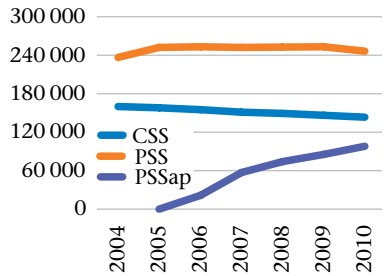
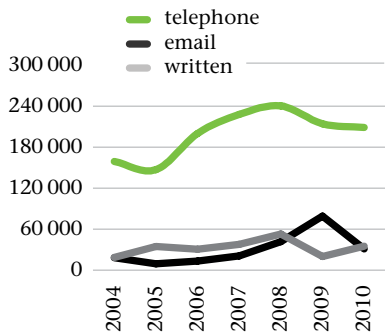


Chart 5: Membership enquiries trend



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

Scheme administration

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 2009/10, ARIA held workshops at 86 locations around Australia. There were 215 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.

Contact centres

Throughout 2009/10, customer service representatives engaged in a range of strategies aimed at enhancing quality and responsiveness to service requirements. These included improvements to the quality assurance practices and the successful implementation of a new telephone system. The PSS and CSS Customer Service Centres (CSCs) received over 171,000 calls from members and pensioners. We responded to 22,669 emails and received 25,026 items of written correspondence.

The PSSap CSC continued to handle a steadily increasing number of member enquiries, with a total of 37,906 calls. They also responded to 8,315 emails, and 10,163 items of written correspondence in 2009/10. The release of revised insurance cover for PSSap members increased call volumes during the last quarter of 2009/10.

Employer support

Employers play an important part in delivering member services. The scheme administrator works closely with 212 participating employers for the CSS, PSS and PSSap. Employers also receive support through phone contact, written advice and a monthly newsletter. The employer services team had more than 59,645 communications (including telephone enquiries and correspondence) with employers.

Scheme administration

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.

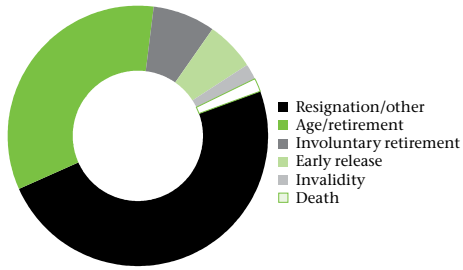
ARIA undertakes an annual review of ComSuper's service provision, including an assessment of the administrator's performance against the agreed service standards.

Benefit payments

During 2009/10, the scheme administrator processed 16,467 PSS and CSS benefit applications, which is relatively low in historical terms. This number represents a 5.75% decrease on the number processed in 2008/09, indicating the number of scheme members ceasing APS employment is remaining relatively steady.

During 2009/10, 3,711 PSSap benefits were processed, which was an increase of 7.7% compared to 2008/09. One hundred and thirty-nine PSSap members chose to transfer their monies out of the fund during 2009/10. This is a 38.8% reduction compared to 2008/09.

Chart 6: Benefit payments by type 2009/10



Scheme administration

Table 21: Total number of benefit payments (by type) 2009/10

	Age/ retirement	Involuntary retirement	Invalidity	Death	Resignation/ other	Early release	Total 09/10
Contributor exits	629	464	63	31	842	4	2 033
Preserved claims	1 649	2	12	28	18	4	1 713
CSS total	**2 278**	**466**	**75**	**59**	**860**	**8**	**3 746**
Contributor exits	1 913	1 124	260	96	6 123	140	9 656
Preserved claims	2 060	16	68	107	81	733	3 065
PSS total	**3 973**	**1 140**	**328**	**203**	**6 204**	**873**	**12 721**
PSSap total	**541**	**0**	**23**	**48**	**2 781**	**318**	**3 711**
Total	**6 792**	**1 606**	**426**	**310**	**9 845**	**1 199**	**20 178**

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 2010						Pensions paid $	Weighted average yearly pension* $
	Age retirement/ involuntary retirement	Invalidity retirement	Spouse	child/ other	Total		
CSS	71 006	15 586	28 600	66	**115 258**	**3 229m**	26 963
PSS	17 756	2 370	854	104	**21 084**	416m	19 631
Total	**88 762**	**17 956**	**29 454**	**170**	**136 342**	3 645m	**25 863**

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.

Scheme administration

Chart 7: Pensioner population trend

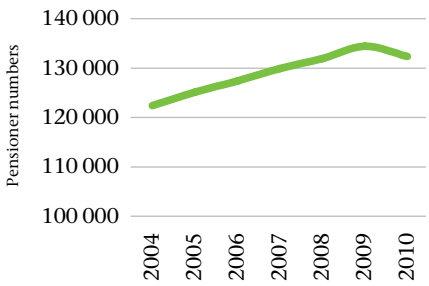
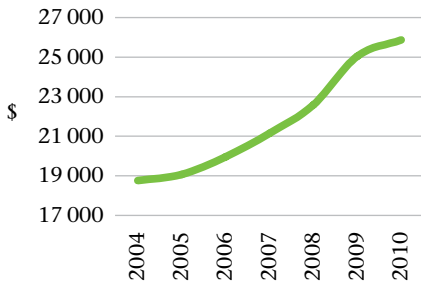


Chart 8: Average pension trend



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 five nominated scheme administrator representatives.

Scheme administration

In 2009/10, 32 applications for reconsideration for the PSSap, PSS and CSS schemes were received, compared with 30 for the 2008/09 financial year.

There were 41 PSSap, PSS and CSS cases finalised during the year, compared with 30 for the previous year. Six requests lapsed or were withdrawn without proceeding to reconsideration.

Ninety per cent of cases submitted to the Reconsideration Advisory Committee were finalised within the service standard of 60 business days. The average time taken to finalise reconsiderations in 2009/10 was 5.1 months, down from six months in 2008/09.

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 2009/10

	Decision of the:	Brought forward	Received	Withdrawn or lapsed	Decisions affirmed	Decisions set aside	Resolved*	Cases finalised	Carried forward**
CSS	Delegate	4	8	0	10	1	1	11	1
	Trustee	0	2	0	2	0	0	2	0
PSS	Delegate	11	18	5	12	8	13	25	4
	Trustee	1	1	0	1	0	0	1	1
PSSap	Delegate	0	3	1	1	0	1	2	1
	Trustee	0	0	0	0	0	0	0	0
Total		**16**	**32**	**6**	**26**	**9**	**15**	**41**	**7**

* Resolved = withdrawn or lapsed + decisions set aside

** Carried forward = brought forward + received - finalised

Scheme administration

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 2009/10

	Carried over	Received	Completed	On-hand
Total	**52**	**75**	**59**	**68**

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 one SCT decision to the Federal Court. This is reported at *Australian Reward Investment Alliance v Superannuation Complaints Tribunal* [2008] FCA 1548. ARIA's appeal was upheld.

Administration 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 38 claims for compensation concerning benefit entitlements. A further 30 claims were still outstanding at 30 June 2009. ARIA and its delegates considered 56 claims during the year with 12 cases outstanding at 30 June 2010.

Of the 56 claims considered during 2009/10, liability was accepted in 33 cases, for which total compensation payments (including claimants' legal costs) amounted to $734,041 in lump sums.

Complaints and representations

Consistent with last year's trend, the number of complaints received decreased during 2009/10. This decrease is mainly due to the resolution of issues that previously caused complaints and a number of processes being automated.

The most common cause of complaints in the last financial year were:

- delay in service/failure to respond
- lack of information
- quality of service
- incorrect information given
- on-line access issues
- telephone system issues.

Scheme administration

Table 25: Complaints and representations 2009/10

		Total received
CSS	Complaints	216
	Ministerials	9
	Ombudsman enquiries	3
PSS	Complaints	282
	Ministerials	6
	Ombudsman enquiries	0
PSSap	Complaints	98
	Ministerials	1
	Ombudsman enquiries	0
Total		**615**

Note: This table includes both ARIA and ComSuper statistics.

CSS

9. Financial statements

CSS financial statements

Australian National
Audit Office

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 2010 which comprises the Statement of Net Assets as at 30 June 2010, the Statement of Changes in Net Assets for the year ended 30 June 2010, 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 (including the Australian Accounting Interpretations) 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's responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and making accounting estimates that are reasonable in the circumstances.

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 Auditing 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

CSS 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.

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 (including Australian Accounting Interpretations), the net assets of the Commonwealth Superannuation Scheme as at 30 June 2010 and the changes in net assets for the year ended 30 June 2010;

(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

Carla Jago
Executive Director
Delegate of the Auditor-General

Canberra

16 September 2010

CSS financial statements

Commonwealth Superannuation Scheme (ABN 19 415 776 361)

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

The Trustee hereby states that in its opinion:

(a) the attached financial statements of the Scheme show a true and fair view of the matters required by Australian Accounting Standards, including AAS 25 *'Financial Reporting by Superannuation Plans'* , and Schedule 1 of the *Commonwealth Authorities and Companies Orders (Financial statements for reporting periods ending on or after 1 July 2009)* 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 2010 and the changes in net assets of the Scheme for the year ended 30 June 2010;

(c) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;

(d) the financial statements are in a form agreed by the Minister for Finance and Deregulation and Australian Reward Investment Alliance in accordance with sub-section 161(1A) of the *Superannuation Act 1976* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(e) the financial statements have been prepared based on properly maintained financial records; and

(f) the operations of the CSS Fund were conducted in accordance with the *Superannuation Act 1976* and the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations, and the relevant requirements of the *Corporations Act 2001* and Regulations (to the extent applicable).

Signed at Sydney this 16th day of September 2010 in accordance with a resolution of trustees of Australian Reward Investment Alliance (ABN 48 882 817 243) as Trustee of the Scheme.

Tony Hyams
Chairman

Winsome Hall
Trustee

CSS financial statements

Statement of Changes in Net Assets
For the Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
Net assets available to pay benefits at the beginning of the financial year		**4 741 393**	6 073 474
Net investment revenue			
Interest		**1 582**	2 298
Changes in net market value of investments	5c	**447 571**	(811 392)
		449 153	(809 094)
Contribution revenue			
Member contributions	6a	**103 019**	108 565
Employer contributions	6a	**37 392**	38 934
Co-Contributions	6a	**1 922**	1 858
Appropriation from Consolidated Revenue Fund	6b	**3 144 008**	3 070 432
		3 286 341	3 219 790
Total revenue		**3 735 494**	2 410 696
Benefits paid	6b	**(3 703 486)**	(3 736 589)
Transfers to the Public Sector Superannuation Scheme	8	**105**	-
Total expenses		**(3 703 381)**	(3 736 589)
Change in net assets before income tax		**32 113**	(1 325 893)
Income tax expense	7a	**(5 849)**	(6 187)
Change in net assets after income tax		**26 264**	(1 332 081)
Net assets available to pay benefits at the end of the financial year		**4 767 657**	4 741 393

The attached notes form part of these financial statements.

CSS financial statements

Statement of Net Assets
As at 30 June 2010

	Note	2010 $'000	2009 $'000
Investments			
Pooled Superannuation Trust	4	**4 747 832**	4 715 568
Total investments		**4 747 832**	4 715 568
Other assets			
Cash and cash equivalents		**41 089**	37 644
Interest receivable		**196**	99
Amount to be appropriated from Consolidated Revenue Fund		**309**	3
Total other assets		**41 594**	37 746
Total assets		**4 789 426**	4 753 314
Liabilities			
Benefits payable		**15 961**	4 920
Sundry payables	9	**237**	358
Amounts due to other superannuation schemes	8	**-**	412
Current tax liabilities	7b	**5 542**	6 216
Deferred tax liabilities	7c	**29**	15
Total liabilities		**21 769**	11 921
Net assets available to pay benefits		**4 767 657**	4 741 393

The attached notes form part of these financial statements.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 Australian Reward Investment Alliance ('ARIA') (ABN 48 882 817 243).

Moneys paid to ARIA for the purposes of the Scheme are held in the CSS Fund. The CSS Fund comprises contributions made by members and employers, income arising from investments, and accretions to or profits on realisation of investments held within the CSS Fund. ARIA pays member benefits and taxes relating to the CSS Fund out of the CSS Fund. ARIA 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 10, 12 Moore 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 2009)* , 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 ARIA in accordance with *sub-section 161(1A) of the Superannuation Act 1976* .

The financial statements of the Scheme were authorised for issue by the Trustees on 16th September 2010.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

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

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 'Further amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010	30 June 2011
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.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 101 'Presentation of Financial Statements' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009
AASB 2008-6 and 2008-5 'Amendments arising from the first annual improvements project' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009
AASB 2009-2 'Amendments to Australian Accounting Standards - Improving disclosures about Financial Instruments' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009

(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.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 2010 and the comparative information presented in these financial statements for the year ended 30 June 2009.

(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.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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).

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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).

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 15.

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

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

(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

	2010	2009
	$'000	$'000
Equity investments		
Pooled Superannuation Trust - ARIA Investments Trust	**4 747 832**	4 715 568
	4 747 832	4 715 568

5. CHANGES IN NET MARKET VALUES

	2010	2009
	$'000	$'000
(a) Investments held at 30 June:		
Pooled Superannuation Trust - ARIA Investments Trust	**413 842**	(719 968)
	413 842	(719 968)
(b) Investments realised during the year:		
Pooled Superannuation Trust - ARIA Investments Trust	**33 729**	(91 424)
	33 729	(91 424)
(c) Total changes in net market values of investments	**447 571**	(811 392)

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 $1.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $1 500 per member for each financial year.

(b) Benefits

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

Of the total benefits payable at 30 June 2010, $0.309 million (2009: $0.003 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.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

6. FUNDING ARRANGEMENTS

(b) Benefits (continued)

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

	2010	2009
	$'000	$'000
Gross Appropriation from Consolidated Revenue Fund	**3 704 188**	3 738 264
less: Transfers from CSS Fund to Consolidated Revenue Fund	**(560 180)**	(667 832)
Net Appropriation	**3 144 008**	3 070 432
Consolidated Revenue Fund		
Lump-sum Benefits	**474 674**	600 314
Pensions	**3 228 775**	3 136 401
	3 703 449	3 736 715
CSS Fund		
Lump-sum Benefits	**37**	(127)
Total benefits paid	**3 703 486**	3 736 588

(c) Costs of Administration

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

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of Administration (continued)

Expenses are as follows:

	Expenses met by	
	AIT	**AIT**
	2010	2009
	$'000	$'000
Investment		
Investment Advisors	**1 204**	944
Investment Managers	**6 608**	8 535
Custodian	**1 653**	1 480
Other	**1 217**	81
Total direct investment expenses	**10 682**	11 040
General administration	**3 739**	3 696
Total costs	**14 421**	14 736

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

Scheme administration costs met by sponsoring employers are as follows:

	2010	2009
	$'000	$'000
ARIA fees	**1 312**	1 336
ComSuper fees	**13 502**	13 658
Total	**14 815**	14 994

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

7. INCOME TAX

	2010 $'000	2009 $'000
(a) Income tax recognised in the Statement of Changes in Net Assets		
Tax expense comprises:		
Current tax expense	**5 834**	6 216
Adjustments recognised in the current year in relation to the current tax of prior years	**-**	-
Deferred tax expense relating to the origination and reversal of temporary differences	**15**	(29)
Total tax expense	**5 849**	6 187

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	**32 113**	(1325 893)
Income tax expense / (benefit) calculated at 15%	**4 817**	(198 884)
Add (less) permanent differences - items not assessable or deductible		
Employee contributions	**(15 754)**	(16 561)
Benefits paid	**555 523**	560 488
Appropriation from CRF	**(471 601)**	(460 565)
Investment revenue already taxed	**(67 136)**	121 709
	5 849	6 187

(b) Current tax liabilities		
Current tax payables:		
Provision for current year income tax	**5 542**	6 216
	5 542	6 216

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

7. INCOME TAX (continued)

(c) Deferred tax balances

	2010	2009
	$'000	$'000
Deferred tax liabilities comprise:		
Temporary differences	**29**	15
	29	15

Taxable and deductible temporary differences arise from the following:

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

2009	Opening balance	Charged to income	Acquisition / disposal	Closing balance
	$'000	$'000	$'000	$'000
Gross deferred tax liabilities:				
Interest receivable	44	(29)	-	15
	44	(29)	-	15
Total	44	(29)	-	15

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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

Certain former contributors to the Commonwealth Superannuation Scheme who rejoin as members of the Commonwealth 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 2010 (2009: 0 transfers).

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

9. SUNDRY PAYABLES

	2010	2009
	$'000	$'000
Surcharge tax	**237**	358
Other	**-**	-
Total	**237**	358

10. AUDITOR'S REMUNERATION

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

	2010	2009
	$	$
Financial statements and APRA forms	**67 240**	71 200
ARIA Group combined Risk Management Strategy and Plan	**6 065**	9 000
Total	**73 305**	80 200

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 ARIA Group 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.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

11. FINANCIAL INSTRUMENTS

(a) Financial instruments management

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

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

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset 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.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

11. FINANCIAL INSTRUMENTS (continued)

(e) Financial risk management objectives

The Scheme is exposed to a variety of financial risks as a result of its pooled investment in AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The 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.

ARIA is responsible for ensuring that there is an effective risk management control framework in place for the Scheme. Consistent with regulatory requirements, ARIA has developed, implemented and maintains an ARIA Group 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 ARIA Investment Policy manual and the ARIA Derivatives Securities Policy which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

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

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

11. FINANCIAL INSTRUMENTS (continued)

(f) Credit risk

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

In its capacity as trustee of ARIA Investments Trust, ARIA has adopted a policy of spreading the aggregate value of transactions across approved counterparties with approved credit qualities, as a means of mitigating financial loss. The 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 2010 or 30 June 2009.

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:

	2010	2009
	$'000	$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**4 747 832**	4 715 568
Other financial assets		
Cash and cash equivalents	**41 089**	37 644
Interest receivable	**196**	99
Total	**4 789 118**	4 753 311

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.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

11. FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk

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

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

All financial liabilities (being benefits payable, sundry payables and amounts due to other superannuation funds) are expected to be settled within 3 months of the reporting date (2009: within 3 months). Current tax liabilites are expected to be settled within 1 year of the reporting date (2009: within 1 year) and the deferred tax liability within 2 years (2009: within 2 years). At 30 June 2010 the Scheme's total exposure to liquidity risk was $21.769 million (2009: $11.921 million) relating to scheme liabilities and $66.202 billion representing the liability for vested benefits (2009: $64.838 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.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

11. FINANCIAL INSTRUMENTS (continued)

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in ARIA's investment policies, 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 2009 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 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 2010 and 30 June 2009 had a maturity profile of less than one month.

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

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

11. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate risk (continued)

The following table illustrates the Scheme's sensitivity to a 1.5% p.a. (2009: 0.75%) 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 1.5% 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
2010						
Cash and cash equivalents	-/+1.5%	41 089	(616)	(616)	616	616
2009						
Cash and cash equivalents	-/+0.75%	37 644	(282)	(282)	282	282

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

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

11. 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 9% (2009: 10%) represents the average annual volatility in the default option unit price of the Schemes investment in the ARIA Investments Trust. For the Cash Option a factor of 1.5% (2009: 0.75%) 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:

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		4 747 833	(408 258)	(408 258)	408 258	408 258

2009	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	-/+10%	4 179 572	(417 957)	(417 957)	417 957	417 957
Cash option	-/+0.75%	535 996	(4 020)	(4 020)	4 020	4 020
Total		4 715 568	(421 977)	(421 977)	421 977	421 977

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

11. 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 are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2010				
Financial Assets				
Pooled superannuation trusts	-	4 747 832	-	4 747 832
2009				
Financial Assets				
Pooled superannuation trusts	-	4 715 568	-	4 715 568

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.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

12. SUPERANNUATION CONTRIBUTIONS (SURCHARGE) TAX

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

Transactions recorded during the reporting period were as follows:

	2010	2009
	$'000	$'000
Total surcharge liability outstanding at start of year	**81 337**	78 206
Changes in unpaid assessments	**(14 013)**	6 627
Interest on outstanding surcharge liabilities at end of year	**3 080**	4 298
	70 404	89 131
Less: Amounts paid by members and Consolidated Revenue Fund	**(6 939)**	(7 794)
Total surcharge liability outstanding at end of year	**63 465**	81 337

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 for the estimated value of the surcharge liability because the liability will be either met by the relevant members during their period of membership or will be recovered from benefits paid on exit from the Scheme.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

13. 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.

	2010	2009
	$'000	$'000
Opening balance of unallocated income	**(7 090)**	23 734
Add: Earnings of fund for the year	**448 916**	(808 749)
Less: Earnings allocated	**(413 736)**	777 937
Less: Adjustments for estimates	**168**	(12)
Less: Earnings paid out in benefit payments	-	-
Closing balance of unallocated income	**28 258**	(7 090)

The closing balance represents approximately 0.6% (2009: -0.2%) of the members' funded entitlements as at 30 June 2010. Unallocated income materially represents the difference between investment valuations applied in daily earnings rates and the confirmed investment values published in these financial statements.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

14. VESTED BENEFITS

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

An actuarial estimate of vested benefits at 30 June 2010 is $66.202 billion (2009: $64.838 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 2010 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:

	2010 $billion	2009 $billion
Funded component	**4.8**	4.7
Unfunded component	**61.4**	60.1
	66.2	64.8

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

	2010 $billion	2009 $billion
Funded component	**4.8**	4.7
Net assets plus funded benefits payable	**4.8**	4.7
Surplus (deficiency)	**-**	-

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

15. LIABILITY FOR ACCRUED BENEFITS

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

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

Accrued benefits as at 30 June were:

	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)	**-**	-

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

16. RELATED PARTIES

(a) Trustee

ARIA acted as Trustee throughout the year ended 30 June 2010.

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

(b) Trustees of ARIA

The trustees of ARIA throughout the year ended 30 June 2010 were:

Steven Crane (resigned 27 October 2009)
Brian Daley
Susan Doyle (Chairman - term expired 27 July 2009)
Peter Feltham (term expired 30 June 2009, reappointed 20 July 2009)
Margaret Gillespie
Winsome Hall
Tony Hyams (Chairman - appointed 21 December 2009)
David Irons
Dennis Trewin (term expired 30 September 2009, reappointed 8 October 2009)

David Irons acts as a trustee only when an ACTU-nominated trustee is for any reason unable to perform the duties of that office or when there is a casual vacancy in the office of an ACTU-nominated trustee. Mr Irons did not act as a trustee in 2009-10.

(c) Key Management Personnel Compensation

The trustees of ARIA throughout the year ended 30 June 2010 are listed under note 16(b) above.

In addition to the Trustees, the following executives of ARIA had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2010:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Operations Officer
Lochiel Crafter	Chief Executive Officer
Leonie McCracken	Head of Investment Operations
Alison Tarditi	Chief Investment Officer
Kevin Thompson	Head of Finance

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

16. RELATED PARTIES (continued)

(c) Key Management Personnel Compensation (continued)

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

	2010	2009
	$	$
Short-term employee benefits	**347 778**	296 231
Post-employment benefits	**46 842**	47 645
Other long-term benefits	**21 582**	16 634
Termination benefits	**-**	-
Share-based payment	**-**	-
	416 201	360 511

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

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

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

(d) Investing entities

Throughout the year ended 30 June 2010, 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. ARIA acted as Trustee of these three entities during the year ended 30 June 2010. All investing transactions are conducted under normal industry terms and conditions.

CSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

16. RELATED PARTIES (continued)

(d) Investing entities (continued)

ARIA pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the ARIA Investments Trust that are referable to the Scheme (see note 6(c)). No fees were charged by ARIA for acting as Trustee during the year ended 30 June 2010 (2009: $nil).

17. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Expenditure Commitments

The Scheme had no capital or other expenditure commitments at 30 June 2010 (2009: $nil).

(b) Benefit Entitlements

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

The Scheme had no contingent liabilities in respect of member benefit claims at 30 June 2010 (2009: $nil).

(c) Contingent Assets

The Scheme had no contingent assets at 30 June 2010 (2009: $nil).

18. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2010 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.

CSS financial statements

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

CSS financial statements

Page 2

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

c:\runzone\gd1wppdf04_slot-01_email1_email1_ba8dbed7-5871-430b-93c9-b41f6ef5e6da\01003 001 css aas25 at 30 june 2008 v3.doc

CSS financial statements

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:

Accrued Multiple (calculated using membership to the date of the valuation)	×	Final Average Salary at future date

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.

CSS financial statements

Page 4

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.

c:\runzone\gd1wppdf04_slot-01_email1_email1_ba8dbed7-5871-430b-93c9-b41f6ef5e6da\01003 001 css aas25 at 30 june 2008 v3.doc

CSS financial statements

Page 5

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 - Average	$1,291 m $89,671	$611 m $78,686	$1,902 m $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

c:\runzone\gd1wppdf04_slot-01_email1_email1_ba8dbed7-5871-430b-93c9-b41f6ef5e6da\01003 001 css aas25 at 30 june 2008 v3.doc

CSS financial statements

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.

CSS financial statements

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

c:\runzone\gd1wppdf04_slot-01_email1_email1_ba8dbed7-5871-430b-93c9-b41f6ef5e6da\01003 001 css aas25 at 30 june 2008 v3.doc

PSS

10. Financial statements

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 2010 which comprises the Statement of Net Assets as at 30 June 2010, the Statement of Changes in Net Assets for the year ended 30 June 2010, 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 (including the Australian Accounting Interpretations) 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's responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and making accounting estimates that are reasonable in the circumstances.

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 Auditing 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
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

PSS financial statements

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 (including Australian Accounting Interpretations), the net assets of the Public Sector Superannuation Scheme and its controlled entities as at 30 June 2010 and the changes in net assets for the year ended 30 June 2010;

(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

Carla Jago
Executive Director
Delegate of the Auditor-General

Canberra

16 September 2010

PSS financial statements

Public Sector Superannuation Scheme (ABN 74 172 177 893)

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

The Trustee hereby states that in its opinion:

(a) the attached financial statements of the Scheme and of the Group (comprising the Scheme and its controlled entities) show a true and fair view of the matters required by Australian Accounting Standards, including AAS 25 *'Financial Reporting by Superannuation Plans'* , and Schedule 1 of the *Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 1 July 2009)* 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 2010 and the changes in net assets of the Scheme and of the Group for the year ended 30 June 2010;

(c) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;

(d) the Scheme financial statements are in a form agreed by the Minister for Finance and Deregulation and Australian Reward Investment Alliance in accordance with sub-section 28(1)(b) of the *Superannuation Act 1990* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(e) the financial statements of the Scheme and of the Group have been prepared based on properly maintained financial records; and

(f) the operations of the PSS Fund were conducted in accordance with the *Superannuation Act 1990* , the Trust Deed establishing the Scheme, the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations, and the relevant requirements of the *Corporations Act 2001* and Regulations (to the extent applicable).

Signed at Sydney this 16th day of September 2010 in accordance with a resolution of trustees of Australian Reward Investment Alliance (ABN 48 882 817 243) as Trustee of the Scheme.

Tony Hyams
Chairman

Winsome Hall
Trustee

PSS financial statements

Statement of Changes in Net Assets
For the Year Ended 30 June 2010

	Note	**Group 2010 $'000**	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
Net assets available to pay benefits at the start of the financial year		**9 992 079**	11 346 199	**9 992 079**	11 346 199
Net investment revenue					
Interest		**79 608**	122 368	**1 687**	2 189
Dividends and distributions		**488 951**	354 600	**-**	-
Other investment income		**6 505**	12 634	**-**	-
Property rental income		**162 420**	154 107	**-**	-
Changes in net market values	5c	**1 062 483**	(3 553 954)	**1 027 348**	(1 718 571)
Less: Direct investment expenses	6c	**(97 117)**	(97 448)	**-**	-
		1 702 850	(3 007 693)	**1 029 035**	(1 716 382)
Contribution revenue					
Member contributions	6a	**550 105**	543 489	**550 105**	543 489
Employer contributions	6a	**223 365**	216 850	**223 365**	216 850
Government co-contributions	6a	**24 837**	23 648	**24 837**	23 648
Appropriation from Consolidated Revenue Fund	6b	**346 501**	236 696	**346 501**	236 696
Transfers from the Commonwealth Super Scheme	8	**(105)**	-	**(105)**	-
		1 144 703	1 020 683	**1 144 703**	1 020 683
Total revenue		**2 847 553**	(1 987 010)	**2 173 738**	(695 699)
General administration expenses	6c	**(14 769)**	(13 325)	**-**	**-**
Benefits paid	6b	**(737 145)**	(625 296)	**(737 145)**	(625 296)
Total expenses		**(751 914)**	(638 621)	**(737 145)**	(625 296)
Change in net assets before income tax		**2 095 639**	(2 625 631)	**1 436 593**	(1 320 995)
Income tax credit/(expense)	7a	**(103 257)**	295 464	**(33 852)**	(33 125)
Change in net assets after income tax		**1 992 382**	(2 330 167)	**1 402 741**	(1 354 120)
Distribution to minority interest holders		**(2 352)**	(7 379)	-	**-**
Change in net assets attributable to minority interest		**(587 289)**	983 426	**-**	-
Net assets available to pay benefits at the end of the financial year		**11 394 820**	9 992 079	**11 394 820**	9 992 079

The attached notes form part of these financial statements.

PSS financial statements

Statement of Net Assets
As at 30 June 2010

	Note	**Group 2010 $'000**	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
Investments					
Cash and cash equivalents	4	**578 757**	588 765	**-**	-
Money market securities	4	**1 370 282**	1 886 556	**-**	-
Fixed interest securities	4	**2 144 377**	1 592 041	**-**	-
Equity investments	4	**11 608 234**	8 695 550	**11 359 471**	9 971 816
Property investments	4	**2 821 318**	3 143 131	**-**	-
Derivative contracts	4	**(47 779)**	228 128	**-**	-
Total investments		**18 475 189**	16 134 171	**11 359 471**	9 971 816
Other assets					
Cash and cash equivalents		**83 118**	66 651	**83 118**	66 651
Trade settlements receivable		**82 621**	63 821	**-**	-
Other receivables	9	**100 113**	65 344	**236**	509
Amount to be appropriated from /to Consolidated Revenue Fund		**226**	(10)	**226**	(10)
Deferred income		**16 856**	18 460	**-**	-
Current tax assets	7b	**3**	135 275	**-**	-
Deferred tax assets	7d	**114 795**	72 313	**-**	-
Total other assets		**397 732**	421 854	**83 580**	67 150
Total assets		**18 872 921**	16 556 025	**11 443 051**	10 038 966
Benefits payable		**13 877**	12 636	**13 877**	12 636
Trade settlements payable		**274 374**	208 888	**-**	-
Other payables	10	**33 949**	35 034	**972**	1 259
Borrowings	11	**150 100**	144 000	**-**	-
Current tax liabilities	7c	**75 571**	-	**33 347**	32 977
Deferred tax liabilities	7d	**35**	15	**35**	15
Total liabilities		**547 906**	400 573	**48 231**	46 887
Net assets		**18 325 015**	16 155 452	**11 394 820**	9 992 079
Net assets attributable to minority interest		**(6 930 195)**	(6 163 373)	**-**	-
Net assets available to pay benefits		**11 394 820**	9 992 079	**11 394 820**	9 992 079

The attached notes form part of these financial statements.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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 Australian Reward Investment Alliance ('ARIA') (ABN 48 882 817 243).

Moneys paid to ARIA for the purposes of the Scheme are held in the PSS Fund. The PSS Fund comprises contributions made by members and employers, income arising from investments, and accretions to or profits on realisation of investments held within the PSS Fund. ARIA pays member benefits and taxes relating to the PSS Fund out of the PSS Fund. ARIA pays costs of and incidental to the management of the PSS Fund and the investment of its money from the assets of the ARIA Investments Trust that are referable to the PSS Fund. See Notes 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 10, 12 Moore 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 2009)* , 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 ARIA in accordance with sub-section 28(1)(b) of the *Superannuation Act 1990* .

The financial statements of the Scheme were authorised for issue by the Trustees on 16th September 2010.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Australian Accounting Standards require ARIA to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective. At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Scheme were on issue but not yet effective. ARIA anticipates the adoption of these Standards upon their application date to the extent that they are not inconsistent with AAS 25 *'Financial Reporting by Superannuation Plans'* . It is anticipated that the Standards will 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 2009-5 'Further amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010	30 June 2011
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
AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2010	30 June 2011

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.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Standards adopted this year:

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 3 'Business Combinations' and **AASB 127** 'Consolidated and separate financial statements' and consequential amendments to other accounting standards resulting from its issue.	1 July 2009
AASB 101 'Presentation of Financial Statements' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009
AASB 123 'Borrowing Costs' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009
AASB 2008-6 and 2008-5 'Amendments arising from the first annual improvements project' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009
AASB 2008-7 'Amendments to accounting for the cost of an investment in a subsidiary, jointly controlled entity or associate' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009
AASB 2009-2 'Amendments to Australian Accounting Standards - Improving disclosures about Financial Instruments' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009

(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 2010

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 2010 and the comparative information presented in these financial statements for the year ended 30 June 2009.

(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.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Assets

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

The Scheme recognises financial assets on the date it becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date, any gains and losses from changes in net market value are recorded.

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

Net market values have been determined as follows:

(i) Money market securities are valued at the market closing price on the last business day of the reporting period and include accrued interest.

(ii) Fixed interest securities are valued at their market value at the close of business on the last business day of the reporting period. Interest is accrued over the period and is recorded as part of other receivables in the Statement of Net Assets.

(iii) Forward currency and futures contracts are revalued to closing prices quoted on the last business day of the reporting period.

(iv) Equity investments and listed trusts are valued at the last sale price at close of business on the last business day of the reporting period.

(v) Exchange traded options are valued as the premium payable or receivable to close out the contracts at the last buy price at close of business on the last business day of the reporting period.

(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 2010

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 fair value are taken through the Statement of Changes in Net Assets as changes in net market value of investments.

(ix) Receivables are recognised at the amounts receivable. All amounts are unsecured and are subject to normal credit terms.

(c) Cash and cash equivalents

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

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Financial Liabilities (continued)

(i) Benefits payable
The Scheme recognises a benefit to be payable to a member where a valid withdrawal notice is received from the employer sponsor, and is approved by the Scheme administrator ('ComSuper'), 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 2010

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.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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 2010

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.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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 2010

4. INVESTMENTS

	Group 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
Cash and cash equivalents				
Cash at bank - Australia	**279 188**	496 730	**-**	-
Cash at bank - international	**290 601**	84 284	**-**	-
Cash deposits with futures brokers	**8 968**	7 751	**-**	-
	578 757	588 765	**-**	-
Money market securities				
Australian	**1 316 710**	1 886 556	**-**	-
International	**53 572**	-	**-**	-
	1 370 282	1 886 556	**-**	-
Fixed interest securities				
Australian	**381 302**	52 815	**-**	-
International	**1 763 075**	1 539 226	**-**	-
	2 144 377	1 592 041	**-**	-
Equity investments				
Equity securities - Australian	**3 766 873**	2 864 447	**-**	-
Equity securities - international	**3 263 906**	1 945 065	**-**	-
Unlisted Australian trusts	**2 687 080**	2 197 237	**-**	-
Unlisted Australian controlled trusts	**-**	-	**11 359 471**	9 971 816
Unlisted international trusts	**1 890 375**	1 688 801	**-**	-
	11 608 234	8 695 550	**11 359 471**	9 971 816
Property investments				
Unlisted Australian trusts	**956 623**	1 327 694	**-**	-
Investment Properties - Australian	**1 864 695**	1 815 437	**-**	-
	2 821 318	3 143 131	**-**	-
Derivatives contracts				
Forward currency - Australia	**4 724 146**	4 338 549	**-**	-
Forward currency - international	**(4 824 204)**	(4 136 387)	**-**	-
Options - Australian	**55 377**	28 487	**-**	-
Options - international	**(707)**	(1 985)	**-**	-
Futures - Australian	**(2 043)**	(208)	**-**	-
Futures - international	**(348)**	(328)	**-**	-
	(47 779)	228 128	**-**	-
Total investments	**18 475 189**	16 134 171	**11 359 471**	9 971 816

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

5. CHANGES IN NET MARKET VALUES

	Group 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
(a) Investments held at 30 June:				
Money market securities				
Australian	**7 345**	6 839	**-**	-
International	**(1 474)**	-	**-**	-
Fixed interest securities				
Australian	**(1 635)**	(1 457)	**-**	-
International	**(1 973)**	(53 367)	**-**	-
Equity investments				
Equity securities - Australian	**(77 358)**	(261 564)	**-**	-
Equity securities - International	**54 606**	(189 730)	**-**	-
Unlisted Australian trusts	**114 884**	(342 983)	**-**	-
Unlisted Australian controlled trusts	**-**	-	**1 026 575**	(1 712 003)
Unlisted international trusts	**53 567**	7 325	**-**	-
Property investments				
Unlisted Australian trusts	**(85 312)**	(107 665)	**-**	-
Investment Properties - Australian	**27 124**	(363 674)	**-**	-
Derivatives contracts				
Forward currency	**(292 885)**	33 091	**-**	-
Options - Australian	**16 451**	22 254	**-**	-
Options - International	**(441)**	(104)	**-**	-
Futures - Australian	**(2 043)**	(208)	**-**	-
Futures - International	**(348)**	(328)	**-**	-
Total change in net market values	**(189 492)**	(1 251 571)	**1 026 575**	(1 712 003)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

5. CHANGES IN NET MARKET VALUES (continued)

	Group 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
(b) Investments realised during the year:				
Money market securities	**55 699**	75 869		-
Australian fixed interest securities	**(14 074)**	1 696		-
International fixed interest securities	**(9 161)**	285 742		-
Australian equity securities and unlisted trusts	**487 420**	(859 788)		-
Unlisted Australian controlled trusts - equity securities	**-**	-	**773**	(6 568)
International equity securities and unlisted trusts	**57 748**	(235 985)		-
Forward currency	**711 456**	(1 535 291)		-
Options	**(852)**	(43 497)		-
Futures	**(36 261)**	8 871		-
	1 251 975	(2 302 383)	**773**	(6 568)
(c) Total changes in net market values of investments	**1 062 483**	(3 553 954)	**1 027 348**	(1 718 571)

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

6. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions
Members contribute to the Scheme at optional rates ranging from 0% - 10% (2009: 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% (2009: 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 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 $1.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $1 500 per member for each financial year.

(b) Benefits

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

Of the total benefits payable as at 30 June 2010, $0.226 million (2009: $0.003 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.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

6. FUNDING ARRANGEMENTS (continued)

(b) Benefits (continued)

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

	Scheme 2010 $'000	Scheme 2009 $'000
Gross Appropriation from Consolidated Revenue Fund	**725 769**	612 200
less: Transfers from PSS Fund to Consolidated Revenue Fund	**379 268**	375 504
Net Appropriation	**346 501**	236 696
Consolidated Revenue Fund		
Lump-sum benefits	**309 861**	260 440
Pensions	**415 908**	351 760
	725 769	612 200
PSS Fund		
Lump-sums	**11 376**	13 096
Total benefits paid	**737 145**	625 296

(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.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of administration (continued)

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

	Group 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
Investment managers	**37 440**	43 739	**-**	-
Custodian	**6 494**	5 894	**-**	-
Investment consultants	**7 624**	6 865	**-**	-
Borrowing costs	**7 859**	7 064	**-**	-
Other investment expenses	**37 700**	33 886	**-**	-
Total direct investment expenses	**97 117**	97 448	**-**	-
General administration	**14 769**	13 325	**-**	**-**
	111 886	110 773	**-**	-
Less:				
Minority interest in controlled entities	**(41 718)**	(41 814)	**-**	-
Total costs met by the Scheme	**70 168**	68 959	**-**	-

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 ARIA 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 ARIA 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 ARIA and ComSuper.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of administration (continued)

Scheme administration costs met by sponsoring employers are as follows:

	Scheme 2010 $'000	Scheme 2009 $'000
ARIA costs	**2 284**	2 266
ComSuper costs	**28 252**	27 993
Total	**30 536**	30 259

7. INCOME TAX

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

	Group 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
Tax expense comprises:				
Current tax expense	**179 682**	(115 698)	**33 831**	33 139
Adjustments recognised in the current year in relation to the current tax of prior years	**(33 964)**	(148)	**-**	-
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(4 770)**	(33 857)	**-**	-
Write back of Deferred Tax Assets	**(65 042)**	65 412	**-**	-
Deferred tax expense relating to the origination and reversal of temporary differences	**27 351**	(211 173)	**21**	(14)
Total tax expense/(credit)	**103 257**	(295 464)	**33 852**	33 125

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
Increase / (decrease) in net assets for the year before income tax	**2 095 639**	(2 625 631)	**1 436 593**	(1 320 995)
Income tax expense/(credit) calculated at 15%	**314 346**	(393 845)	**215 489**	(198 149)
Add (less) permanent differences - items not assessable or deductible				
Employee contributions	**(86 132)**	(84 801)	**(86 132)**	(84 801)
Benefits paid	**110 572**	93 794	**110 572**	93 794
Appropriation from CRF	**(51 975)**	(35 504)	**(51 975)**	(35 504)
Investment revenue already taxed	**(9 110)**	3 583	**(154 102)**	257 785
Other	**4 941**	14 362	**-**	-
Imputation credits from franked dividends received	**7 838**	10 169	**-**	-
Foreign Tax Credits	**646**	548	**-**	-
Indexation on realised capital gains	**8**	-	**-**	-
Discount on realised capital gains	**(24 165)**	-	**-**	-
Imputation and foreign tax credits	**(57 847)**	(65 365)	**-**	-
Utilisation of carry forward foreign tax credits	**-**	(157)	**-**	-
Adjustment to recognise losses at 10%	**(2 282)**	128 957	**-**	-
CSS & PSS Tax refunds from amended assessments	**(1 690)**	-		
Write back of deferred tax benefits from current and past years	**(65 042)**	67 251	**-**	-
Deferred franking credit movement gross-up	**193**	(452)	**-**	-
(Over) provision of income tax in previous year	**(37 044)**	(34 004)	**-**	-
Total tax expense/(credit)	**103 257**	(295 464)	**33 852**	33 125

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

7. INCOME TAX (continued)

	Group 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'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**	67 251	-	-
(b) Current tax assets				
Current tax receivable:				
Income tax receivable	**3**	135 275	**-**	-
	3	135 275	**-**	-
(c) Current tax liabilities				
Current tax payables:				
Income tax payable	**75 571**	-	**33 347**	32 977
	75 571	-	**33 347**	32 977
(d) Deferred tax balances				
Deferred tax assets comprise:				
Temporary differences	**114 795**	72 313	-	-
	114 795	72 313	**-**	-
Deferred tax liabilities comprise:				
Temporary differences	**35**	15	**35**	15
	35	15	**35**	15

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

7. INCOME TAX (continued)

(d) Deferred tax balances (continued)

Taxable and deductible temporary differences arise from the following:

2010	**Group**				
	Opening balance	Charged to income	Acquisition / disposal	Exchange differences	Closing balance
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross deferred tax liabilities:					
Unrealised taxable capital gains	**-**		**-**	**-**	**-**
Other	**15**	**20**	**-**	**-**	**35**
	15	**20**	**-**	**-**	**35**
Gross deferred tax assets:					
Accounts payable	**1 196**	**4**	**-**	**-**	**1 200**
Tax losses	**71 117**	**42 478**	**-**	**-**	**113 595**
	72 313	**42 482**	**-**	**-**	**114 795**
	(72 298)	**(42 462)**	**-**	**-**	**(114 760)**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

7. INCOME TAX (continued)

(d) Deferred tax balances (continued)

2010			**Scheme**		
	Opening balance	Charged to income	Acquisition / disposal	Exchange differences	Closing balance
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross deferred tax liabilities:					
Unrealised taxable capital gains	**-**		**-**	**-**	**-**
Other	**15**	**20**	**-**	**-**	**35**
	15	**20**	**-**	**-**	**35**
Gross deferred tax assets:					
Accounts payable	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**-**
	15	**20**	**-**	**-**	**35**

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

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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

Certain former contributors to the Commonwealth Superannuation Scheme who again become members of the Commonwealth Scheme are entitled to elect to transfer to the Public Sector Superannuation Scheme. There were no elections made during the year ended 30 June 2010 (2009: nil transfers).

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

9. OTHER RECEIVABLES

	Group 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
Interest receivable	**31 446**	18 632	**236**	97
Dividends and distributions receivable	**60 364**	38 708	**-**	-
Goods and services tax recoverable	**1 035**	934	**-**	-
Amounts due from the CSS Fund	**-**	412	**-**	412
Other	**7 268**	6 658	**-**	-
	100 113	65 344	**236**	509

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

10. OTHER PAYABLES

	Group 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
Trust distribution payable	**-**	3 661	**-**	-
Investment expenses payable	**8 313**	7 257	**-**	-
Accrued expenses	**10 290**	8 051	**-**	-
Other liabilities	**15 346**	16 065	**972**	1 259
	33 949	35 034	**972**	1 259

11. BORROWINGS

		Group 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
(a)	**Borrowings**				
	Current				
	Cash advance facility	**150 100**	144 000	**-**	-
	Total	**150 100**	144 000	**-**	-
(b)	**Borrowing facilities**				
	Unsecured cash advance facility				
	Amount used	**150 100**	144 000	**-**	-
	Amount unused	**49 900**	56 000	**-**	-
	Total	**200 000**	200 000	-	**-**

The group controlled entities ARIA Property Fund and PSS/CSS A Property Trust (see Note 19), have cash advance facilities of $100 million and $100 million respectively (2009: $100 million and $100 million) with an Australian bank. The facilities expire on 11 November 2010. The facilities are unsecured.

The trustee is negotiating to refinance the facility. It is expected that a new facility will be put in place before the end of September 2010.

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

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

12. AUDITOR'S REMUNERATION

	Group 2010 $	Group 2009 $	**Scheme 2010 $**	Scheme 2009 $
Value of audit services provided by the Australian National Audit Office:				
Financial statements and APRA forms	**417 114**	366 050	**78 270**	82 650
ARIA Group combined Risk Management Plan and Strategy	**12 129**	18 000	**6 065**	9 000
Total	**429 243**	384 050	**84 335**	91 650
Amounts paid or payable to other auditors for the audit of group entities	**60 845**	49 654	-	-
Value of non-audit services provided by Deloitte:				
Tax services - international	**8 621**	10 204	-	-

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 ARIA Group combined Risk Management Strategy and Plan were charged against assets of ARIA Investment 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 2010

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 2010 $'000	Scheme 2009 $'000
Total surcharge liability outstanding at start of year	**45 478**	45 944
Changes in unpaid assessments	**(2 282)**	2 714
Interest on outstanding surcharge liabilities at end of year	**2 054**	2 691
	45 250	51 349
Less: Amounts paid by members and Consolidated Revenue Fund	**(2 984)**	(5 871)
Total surcharge liability outstanding at end of year	**42 266**	45 478

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.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

14. FINANCIAL INSTRUMENTS

(a) Financial instruments management

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

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

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

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 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 2010

14. FINANCIAL INSTRUMENTS (continued)

(e) Financial risk management objectives

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

ARIA ensures that there is an effective risk management control framework in place for the Group. Consistent with regulatory requirements, ARIA has developed, implemented and maintains an ARIA Group 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 ARIA Investment Policy manual and the ARIA Derivatives Securities Policy which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

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

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

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

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. ARIA has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

14. FINANCIAL INSTRUMENTS (continued)

(f) Credit risk (continued)

The largest exposure to a single counterparty is to the investment custodian JP Morgan. ARIA'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 2010 or 30 June 2009.

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 (2009: 3 months).

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

	Group		Scheme	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Investments				
Cash and cash equivalents	**578 757**	588 765	**-**	-
Money market investments	**1 370 282**	1 886 556	**-**	-
Fixed interest investments	**2 144 377**	1 592 041	**-**	-
Equity investments	**11 608 234**	8 695 550	**11 359 471**	9 971 816
Property investments	**2 821 318**	3 143 131	**-**	-
Derivative financial assets	**(47 779)**	228 128	**-**	-
Other financial assets				
Trade settlements receivable	**82 621**	63 821	**-**	-
Other receivables	**100 113**	65 344	**236**	509
	18 657 923	16 263 336	**11 359 707**	9 972 325

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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. ARIA undertakes forecasting and scenario testing of the cashflow requirements of the Group to ensure timely access to sufficient cash and actively-traded, highly-liquid investments to meet anticipated funding requirements. As a further risk mitigation strategy, it is the Trustees policy that the underlying investments of the Group cannot have more than 25% of assets invested in non liquid asset classes at any time and regular scenario testing is performed to confirm the validity of the strategy.

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.

2010	<3 months	3-12 months	1-5 years	> 5 years	Total
	$'000	$'000	$'000	$'000	$'000
Group					
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	-	-	-	-	-
Deferred tax liabilities	-	-	35	-	35
	49 173 200	150 100	35	-	49 323 335
Scheme					
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
	48 865 849	33 347	35	-	48 899 231

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

14. FINANCIAL INSTRUMENTS (Continued)

(g) Liquidity risk (continued)

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

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

(h) Market risk

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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. ARIA 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	Japanese Yen	European Euros	British Pounds	Other Currencies	Total
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'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)

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Foreign currency risk (continued)

	US	Japanese Yen	European Euros	British Pounds	Other Currencies	Total
	A$'000	A$'000	A$'000	A$'000	A$'000	A$'000
2009						
Financial assets	3 448 014	348 991	860 138	335 230	385 269	5 377 642
Financial liabilities	126 127	1 071	10 996	7 155	5 444	150 793
Gross amounts	3 321 887	347 920	849 142	328 075	379 825	5 226 849
Forward foreign	(2 560 344)	(303 507)	(741 342)	(295 851)	(235 344)	(4 136 388)
Net exposure (excess hedge)	761 543	44 413	107 800	32 224	144 481	1 090 461

Net market value of forward foreign exchange contracts **202 162**

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 2010

14. FINANCIAL INSTRUMENTS (Continued)

(h) Market risk (Continued)

Foreign currency sensitivity (continued)

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)**

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

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 2010 and 30 June 2009 had a maturity profile of less than one month.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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 invesment 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 ARIA 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 2010	Variable Interest Rate Instruments $'000	Fixed Interest Rate Instruments $'000	Non Interest Bearing $'000	Total $'000
Group				
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	12 377 612	16 320 928

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate risk (continued)

30 June 2010	**Variable Interest Rate Instruments**	**Fixed Interest Rate Instruments**	**Non Interest Bearing**	**Total**
Scheme				
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)**
	83 118	**-**	**11 358 735**	**11 441 853**

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

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

14. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate risk (continued)

30 June 2009	Variable Interest Rate Instruments $'000	Fixed Interest Rate Instruments $'000	Non Interest Bearing $'000	Total $'000
Scheme				
Assets				
Cash and cash equivalents	66 651			66 651
Equity investments			9 971 816	9 971 816
Trade and other receivables			509	509
Liabilities				
Trade and other payables			(1 259)	(1 259)
Total	66 651	-	9 971 066	10 037 718

Interest rate sensitivity
The following table illustrates the Scheme and Group's sensitivity to a 1.5% p.a. (2009: 0.75% 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 1.5% p.a. (2009: 0.75% 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**
2010					
Exposure	+/-1.5%	**(120 335)**	**120 335**	**(120 335)**	**120 335**
2009					
Exposure	+/-0.75%	(42 217)	42 217	(42 217)	42 217

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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
2010					
Exposure	+/-1.5%	**(1 247)**	**1 247**	**(1 247)**	**1 247**
2009					
Exposure	+/-0.75%	(500)	500	(500)	500

In ARIA'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.

ARIA 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 ARIA'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 1.5% (2009: 0.75%) is applied.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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**	
	2010	2009	**2010**	2009	**2010**	2009
			$'000	$'000	**$'000**	$'000
	+/-		+/-	+/-	+/-	+/-
Equity securities						
Australian	**20%**	**20%**	**745 841**	570 025	**745 841**	570 025
International	**19%**	**18%**	**623 406**	354 002	**623 406**	354 002
Unlisted equity securities						
Australian	**28%**	**30%**	**618 320**	482 523	**618 320**	482 523
International	**14%**	**14%**	**325 626**	371 246	**325 626**	371 246
Unlisted property securities						
Australian	**11%**	**11%**	**100 956**	157 446	**100 956**	157 446
Controlled	**6%**	**9%**	**-**	-	**-**	-
Derivative contracts						
Options	**20%**	**20%**	**3 314**	5 669	**3 314**	5 669
Futures	**20%**	**20%**	**(616)**	(67)	**(616)**	(67)

			Scheme			
	Change in price		**Net operating income attributable to unitholders**		**Net assets attributable to unitholders**	
	2010	2009	**2010**	2009	**2010**	2009
			$'000	$'000	**$'000**	$'000
	+/-		+/-	+/-	+/-	+/-
Unlisted equity securities						
Cash option	**1.5%**	**0.75%**	**218**	382	**218**	382
Default option	**8%**	**8%**	**906 435**	793 674	**906 435**	793 674

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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 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
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

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

14. FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurement (continued)

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.

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
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)
Closing balance	1 213 162	776 083	1 989 245

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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 2010 $'000	Scheme 2009 $'000
Opening balance of unallocated income	**(26 921)**	77 768
Add/Less: Adjustments for estimates	**17**	(4)
Add: Earnings of Fund for the year	**1 028 782**	(1 716 053)
Less: Earnings paid out in benefit payments	**-**	-
Less: Earnings allocation to members' accounts	**(923 232)**	1 611 368
Closing balance of unallocated income	**78 646**	(26 921)

The closing balance is approximately 0.69% (2009: -0.27%) of the members' funded entitlements as at the 30 June 2010. Unallocated income materially represents the difference between investment valuations applied in daily earnings rates and the confirmed investment values published in these financial statements.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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 2010 is $48.9 billion (2009: $43.2 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 2010 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.

	Scheme 2010 $billion	Scheme 2009 $billion
The vested benefits amount is made up of:		
Funded component	**11.4**	10.0
Unfunded component	**37.5**	33.2
	48.9	43.2
The net assets of the Scheme compared to the vested benefits are:		
Funded component	**11.4**	10.0
Net assets plus funded benefits payable	**11.4**	10.0
Surplus (deficiency)	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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.

	Scheme 2008 $billion	Scheme 2005 $billion
Accrued benefits as at 30 June were:		
Funded component	**11.4**	7.6
Unfunded component	**20.9**	13.8
	32.3	21.4

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

Funded accrued benefits	**11.4**	7.6
Net assets plus funded benefits payable	**11.4**	7.6
Surplus (deficiency)	**-**	-

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

18. RELATED PARTIES

(a) Trustee

ARIA acted as Trustee throughout the year ended 30 June 2010.

(b) Trustees of ARIA

The trustees of ARIA throughout the year ended 30 June 2010 were:

Steven Crane (resigned 27 October 2009)
Brian Daley
Susan Doyle (Chairman - term expired 27 July 2009)
Peter Feltham (term expired 30 June 2009, reappointed 20 July 2009)
Margaret Gillespie
Winsome Hall
Tony Hyams (Chairman - appointed 21 December 2009)
David Irons
Dennis Trewin (term expired 30 September 2009, reappointed 8 October 2009)

David Irons acts as a trustee only when an ACTU-nominated trustee is for any reason unable to perform the duties of that office or when there is a casual vacancy in the office of an ACTU-nominated trustee. Mr Irons did not act as a trustee in 2009-10.

(c) Key management personnel compensation

The trustees of ARIA throughout the year ended 30 June 2010 are listed under note 18(b) above.

In addition to the Trustees, the following executives of ARIA had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2010:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Operations Officer
Lochiel Crafter	Chief Executive Officer
Leonie McCracken	Head of Investment Operations
Alison Tarditi	Chief Investment Officer
Kevin Thompson	Head of Finance

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

18. RELATED PARTIES (continued)

(c) Key management personnel compensation (continued)

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

	Group 2010 $	Group 2009 $	**Scheme 2010 $**	Scheme 2009 $
Short-term employee benefits	**2 320 720**	1 740 991	**782 191**	584 478
Post-employment benefits	**312 574**	280 018	**105 352**	94 007
Other long-term benefits	**144 014**	97 763	**48 540**	32 821
Termination benefits	**-**	-	**-**	-
Share-based payment	**-**	-	**-**	-
	2 777 308	2 118 772	**936 083**	711 306

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

The compensation of key management personnel (including trustees) related to investment management is charged as part of general administration expenses against assets of the ARIA Investments Trust.

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

(d) Related party investment

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

	Net Market Value of Investment 2010 $'000	Net Market Value of Investment 2009 $'000	**Share of Net Income after tax 2010 $'000**	Share of Net Income after tax 2009 $'000
Controlled Entities				
ARIA Investments Trust	**11 359 471**	9 971 816	**1 026 575**	(1 712 003)
	11 359 471	9 971 816	**1 026 575**	(1 712 003)

All transactions are conducted under normal industry terms and conditions.

PSS financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

19. GROUP ENTITIES

Name of Entity	Country of domicile	Proportion of ownership	
		at 30 June 2010 %	at 30 June 2009 %
Parent Entity:			
Public Sector Superannuation Scheme	Australia	**100**	100
Entities controlled by Public Sector Superannuation Scheme:			
ARIA Investments Trust	Australia	**61**	61
Entities controlled by ARIA Investments Trust:			
PSS/CSS Investment Trust	Australia	**100**	100
CFM Australian Equities Fund	Australia	**100**	100
Commonwealth Funds Management Limited Pooled Superannuation Trust	Australia	**100**	100
ARIA Alternative Assets Trust	Australia	**100**	100
ARIA Property Fund	Australia	**100**	100
PSS/CSS A Property Trust	Australia	**100**	100
PSS/CSS B Property Trust	Australia	**100**	100
SSGA Rexiter Emerging Markets Trust	Australia	**-**	73
Entities controlled by ARIA Alternative Assets Trust:			
Loomis Sayle Senior Loan Fund	Australia	**82**	82
Schroder Real Return Fund	Australia	**60**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2010

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 2010 $'000	Group 2009 $'000	**Scheme 2010 $'000**	Scheme 2009 $'000
Within 12 months	**33 917**	114 163	-	-
Greater than 12 months but less than 5 years	**88 067**	199 421	-	-
Greater than 5 years	**984 093**	943 354	-	-
	1 106 077	1 256 938	**-**	-

(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 2010 (2009: $nil).

(c) Contingent assets

The Scheme and Group had no contingent assets at 30 June 2010 (2009: $nil).

21. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2010 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.

PSS financial statements

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 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.

PSS financial statements

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

c:\runzone\gd1wppdf04_slot-01_email1_email1_82b2b396-0056-4d65-9092-94ca0fbb2c56\01003 001 psa aas25 at 30 june 2008 v3.doc

PSS financial statements

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:

Accrued Multiple (calculated using membership to the date of the valuation)	×	Final Average Salary at future date

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.

PSS financial statements

Page 4

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.

c:\runzone\gd1wppdf04_slct-01_email1_email1_82b2b366-0056-4d65-9092-94ca0fbb2c56\01003 001 pss aas25 at 30 june 2008 v3.doc

PSS financial statements

Page 5

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 - Average	$4,123 m $74,464	$5,081 m $66,069	$9,204 m $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

c:\runzone\gd1wppdf04_slot-01_email1_email1_82b2b396-0056-4d65-9092-94ca0fbb2c56\01003 001 pss aas25 at 30 june 2008 v3.doc

Page 6

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 was the increase in the take-up rate of pension benefits.

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 PSS assets as at 30 June 2008 was $11.4 billion.

Accrued Benefits

The value of accrued benefits as at 30 June 2008 was $32.3 billion.

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. 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.

c:\runzone\gd1wppdf04_slot-01_email1_email1_82b2b396-0056-4d65-9092-94ca0fbb2c56\01003 001 pss aas25 at 30 june 2008 v3.doc

PSS financial statements

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

c:\runzone\gd1wppdf04_slot-01_email1_email1_82b2b396-0056-4d65-9092-94ca0fbb2c56\01003 001 pss aas25 at 30 june 2008 v3.doc

PSSap

11. Financial statements

PSSap financial statements

Australian National
Audit Office

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 2010 which comprises the Statement of Financial Position as at 30 June 2010, the Operating Statement and Statement of Cash Flows for the year ended 30 June 2010, 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 (including the Australian Accounting Interpretations) 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's responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and making accounting estimates that are reasonable in the circumstances.

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 Auditing 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.

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

PSSap 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.

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 (including the Australian Accounting Interpretations), the financial position of the Public Sector Superannuation Accumulation Plan as at 30 June 2010 and the results of its operations and its cash flows for the year ended 30 June 2010;

(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

Carla Jago
Executive Director
Delegate of the Auditor-General

Canberra

16 September 2010

PSSap financial statements

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 2009)* 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 2010, the operating result for the year ended 30 June 2010, and the cash flows for the year ended 30 June 2010;

(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 Australian Reward Investment Alliance in accordance with sub-section 26(1)(d) of the *Superannuation Act 2005* 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 16th day of September 2010 in accordance with a resolution of trustees of Australian Reward Investment Alliance (ABN 48 882 817 243) as Trustee of the Plan:

Tony Hyams	Winsome Hall
Chairman	Trustee

PSSap financial statements

Operating Statement
For the Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
Investment revenue			
Interest		**3 024**	3 666
Changes in net market values	4c	**122 943**	(143 545)
Total investment revenue		**125 967**	(139 879)
Contribution revenue			
Employer contributions		**596 672**	492 217
Member contributions		**10 935**	10 473
Transfers from other funds		**116 719**	112 368
Government co-contributions		**2 824**	2 274
Total contributions revenue	7a	**727 150**	617 332
Other revenue			
Insurance proceeds		**8 992**	5 537
Total other revenue		**8 992**	5 537
Total revenue		**862 109**	482 990
Expenses			
Insurance expense		**23 100**	21 744
Superannuation contributions (surcharge) tax		**(6)**	20
Total expenses		**23 094**	21 764
Benefits accrued as a result of operations before income tax		**839 015**	461 226
Income tax expense	8a	**87 181**	71 963
Benefits accrued as a result of operations after income tax		**751 834**	389 263

The attached notes form part of these financial statements.

PSSap financial statements

Statement of Financial Position
As at 30 June 2010

	Note	2010 $'000	2009 $'000
Investments			
Pooled superannuation trust		**1 946 307**	1 240 513
Total investments		**1 946 307**	1 240 513
Other assets			
Cash and cash equivalents	9a	**101 853**	76 915
Sundry debtors	5	**473**	170
Deferred tax asset	8c	**470**	230
Total other assets		**102 796**	77 315
Total assets		**2 049 103**	1 317 828
Liabilities			
Benefits payable		**1 476**	865
Sundry payables	6	**3 523**	1 706
Current tax liability	8b	**87 446**	55 955
Total liabilities		**92 445**	58 526
Net assets available to pay benefits		**1 956 658**	1 259 302
Represented by:			
Liability for accrued benefits			
Allocated to members' accounts		**1 936 500**	1 248 312
Not allocated to members' accounts	10a	**20 158**	10 990
Total liability for accrued benefits	10b	**1 956 658**	1 259 302

The attached notes form part of these financial statements.

PSSap financial statements

Statement of Cash Flows
For the Year Ended 30 June 2010

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Contributions received -			
Employer		**596 672**	492 217
Member		**10 935**	10 473
Transfers from other funds		**116 719**	112 368
Government co-contributions		**2 824**	2 274
Interest received		**2 810**	3 928
Insurance proceeds		**8 939**	5 537
Insurance expense paid		**(21 284)**	(21 767)
Superannuation contributions (surcharge) tax paid		**6**	(20)
Benefits paid		**(53 866)**	(37 661)
GST Paid		**(36)**	-
Income tax paid		**(55 931)**	(73 287)
Net cash inflows from operating activities	9b	**607 788**	494 062
Cash flows from investing activities			
Proceeds from sales of units in pooled superannuation trusts		**40 822**	1 543 828
Purchases of units in pooled superannuation trusts		**(623 672)**	(2 037 820)
Net cash outflows from investing activities		**(582 850)**	(493 992)
Net increase in cash held		**24 938**	70
Cash at the beginning of the financial year		**76 915**	76 845
Cash at the end of the financial year	9a	**101 853**	76 915

The attached notes form part of these financial statements.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 Australian Reward Investment Alliance ('ARIA') (ABN 48 882 817 243).

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 10, 12 Moore 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 2009)* , 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 ARIA in accordance with sub-section 26(1)(d) of the *Superannuation Act 2005* .

The financial statements of the Plan were authorised for issue by the Trustees on 16th September 2010.

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. ARIA anticipates the adoption of these Standards will have no material financial impact on the financial report of the Plan. ARIA 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'* .

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 2009-5 'Further amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010	30 June 2011
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 101 'Presentation of Financial Statements' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009
AASB 2008-6 and 2008-5 'Amendments arising from the first annual improvements project' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009
AASB 2009-2 'Amendments to Australian Accounting Standards - Improving disclosures about Financial Instruments' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 2010 and the comparative information presented in these financial statements for the year ended 30 June 2009.

(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.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 ARIA 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 ARIA is unable to determine the amount until receipt of applicable assessments in the following period.

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

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

4. CHANGES IN NET MARKET VALUE OF INVESTMENTS

		2010	2009
		$'000	$'000
(a)	**Investments held at 30 June:**		
	Pooled superannuation trust - ARIA Investments Trust	**120 639**	(140 486)
(b)	**Investments realised during the year:**		
	Pooled superannuation trust - ARIA Investments Trust	**2 305**	(3 059)
(c)	**Total changes in net market values of investments**	**122 943**	(143 545)

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

5. SUNDRY DEBTORS

	2010	2009
	$'000	$'000
Interest receivable	**386**	170
GST receivable	**36**	-
Insurance receivable	**52**	-
	473	170

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

6. SUNDRY PAYABLES

	2010	2009
	$'000	$'000
Insurance premiums payable	**3 523**	1 706
	3 523	1 706

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

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

7. FUNDING ARRANGEMENTS

(a) Contributions

Employer Contributions
Employers contribute at least 15.4% (2009: 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 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 $1.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $1 500 per member for each financial year.

(b) 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.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

7. FUNDING ARRANGEMENTS (continued)

(b) Costs of Administration (continued)

Expenses met by ARIA Investments Trust :

	2010	2009
	$'000	$'000
Administration	**1 312**	788
Investment		
Investment advisors	**406**	187
Investment managers	**2 225**	1 689
Custodian	**557**	293
Other	**410**	16
Total	**4 910**	2 973

The *Superannuation Act 2005* requires the Commissioner for Superannuation ('ComSuper') to assist ARIA 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 ARIA and ComSuper.

Plan administration costs met by sponsoring employers are as follows:

	2010	2009
	$'000	$'000
ARIA costs	**784**	648
ComSuper costs	**7 881**	6 727
Total	**8 666**	7 375

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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

	2010	2009
	$'000	$'000
Tax expense comprises:		
Current tax expense	**87 446**	71 769
Deferred tax income relating to the origination and reversal of temporary differences	**(240)**	(35)
Adjustments recognised in current year in relation to current tax of prior year	**(24)**	229
Total tax expense	**87 181**	71 963

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	**839 015**	461 226
Income tax expense calculated at 15%	**125 852**	69 184
Add (less) permanent differences - items not assessable or deductible		
Group life insurance proceeds	**(1 349)**	(831)
Investment revenue already taxed	**(18 441)**	21 532
Member contributions, Govt co-contributions and transfers from other superannuation funds	**(18 749)**	(18 154)
Superannuation contributions (surcharge) tax	**(1)**	3
Death benefit increase (Anti-Detriment)	**(106)**	-
Under/(over) provision for income tax in previous year	**(24)**	229
Total	**87 181**	71 963

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

8. INCOME TAX (continued)

	2010	2009
	$'000	$'000
(b) Current tax balances		
Current tax payables:		
Provision for current income tax	**87 446**	55 955
	87 446	55 955
(c) Deferred tax balances		
Deferred tax asset:		
Temporary differences	**470**	230
	470	230

Taxable and deductible temporary differences arise from the following:

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

2009	Opening balance	Charged to income	Acquisition / (disposal)	Closing balance
	$'000	$'000	$'000	$'000
Gross deferred tax assets:				
Temporary differences	195	35	-	230
	195	35	-	230

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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:

	2010	2009
	$'000	$'000
Cash at bank	**101 853**	76 915

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

	2010	2009
	$'000	$'000
Benefits accrued as a result of operations after income tax	**751 834**	389 263
Less: benefits expense	**(54 477)**	(20 989)
Decrease / (increase) in net market value of investments	**(122 943)**	143 546
Less:		
(Increase)/decrease in sundry debtors	**(303)**	262
(Increase)/decrease in deferred tax asset	**(240)**	(35)
Add back:		
Increase/(decrease) in benefits payable	**611**	(16 671)
Increase/(decrease) in sundry payables	**1 817**	(23)
Increase/(decrease) in provision for income tax	**31 490**	(1 290)
Net cash inflows from operating activities	**607 788**	**494 062**

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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.

	2010	2009
	$'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	**843**	7 545
Change in net market value of investments	**4 818**	(7 132)
Bank interest	**10 599**	10 375
Other	**3 898**	202
Funds not allocated to members' accounts at the end of the year	**20 158**	10 990
(b) Changes in the Liability for Accrued Benefits		
Liability for accrued benefits at beginning of the year	**1 259 302**	891 028
Add:		
Increase in liability for accrued benefits	**751 834**	389 263
Less:		
Benefits and transfers paid and payable	**(54 477)**	(20 989)
Net change	**697 356**	368 274
Liability for accrued benefits at the end of the year	**1 956 658**	1 259 302

11. GUARANTEED BENEFITS

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

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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:

	2010	2009
	$'000	$'000
Members' account balances at 30 June	**1 936 500**	1 248 312
Plus contributions (refundable) allocated after balance date	**1 618**	8 363
Less accrued contributions tax on refunds / unallocated contributions	**(775)**	(818)
Vested benefits	**1 937 343**	1 255 857
Net assets available to pay benefits	**1 956 658**	1 259 302

13. AUDITOR'S REMUNERATION

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

	2010	2009
	$	$
Financial statements and APRA forms	**67 240**	64 450
ARIA Group combined Risk Management Strategy and Plan	**6 065**	9 000
	73 305	73 450

Audit services for the Financial Statements were provided by the Australian National Audit Office free of charge. The audit fees for the ARIA Group combined Risk Management Strategy and Plan were charged against assets of ARIA Investment 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.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

14. RELATED PARTIES

(a) Trustee

ARIA acted as Trustee of the Plan throughout the year ended 30 June 2010.

(b) Trustees of ARIA

The trustees of ARIA throughout the year ended 30 June 2010 were:

Steven Crane (resigned 27 October 2009)
Brian Daley
Susan Doyle (Chairman - term expired 27 July 2009)
Peter Feltham (term expired 30 June 2009, reappointed 20 July 2009)
Margaret Gillespie
Winsome Hall
Tony Hyams (Chairman appointed 21 December 2009)
David Irons
Dennis Trewin (term expired 30 September 2009, reappointed 8 October 2009)

David Irons acts as a trustee only when an ACTU-nominated trustee is for any reason unable to perform the duties of that office or when there is a casual vacancy in the office of an ACTU-nominated trustee. Mr Irons did not act as a trustee during the year 2009-10.

(c) Key Management Personnel Compensation

The trustees of ARIA throughout the year ended 30 June 2010 are listed under note 14(b) above. In addition to the Trustees, the following executives of ARIA had authority and responsibility for planning, directing and controlling the activities of the Plan throughout the year ended 30 June 2010:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Operations Officer
Lochiel Crafter	Chief Executive Officer
Leonie McCracken	Head of Investment Operations
Alison Tarditi	Chief Investment Officer
Kevin Thompson	Head of Finance

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

14. RELATED PARTIES

(c) Key Management Personnel Compensation (continued)

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

	2010	2009
	$	$
Short-term employee benefits	**117 619**	58 900
Post-employment benefits	**15 842**	9 473
Other long-term benefits	**7 299**	3 307
Termination benefits	**-**	-
Share-based payment	**-**	-
	140 759	71 680

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

The compensation of key management personnel (including trustees) related to investment management for the year ended 30 June 2010 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.

(d) Investments

Throughout the year ended 30 June 2010, 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. ARIA acted as Trustee of these three entities during the year ended 30 June 2010. All investing transactions are conducted under normal industry terms and conditions.

ARIA 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 by ARIA for acting as Trustee during the year ended 30 June 2010 (2009 - $nil).

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

15. 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') - a pooled superannuation trust of which ARIA is also trustee. ARIA has determined that this type of investment is appropriate for the Plan and is in accordance with the Plans published investment strategy. ARIA applies strategies to manage risk relating to the investment activities of the AIT. The investments of AIT are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets in accordance with a contractual investment mandate.

(b) Significant accounting policies

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

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

15. 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.

ARIA ensures that there is an effective risk management control framework in place for the Plan. Consistent with regulatory requirements, ARIA has developed, implemented and maintains a ARIA Group 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 Investment Trust. The overall investment strategy of the Plan is set out in the ARIA Investment Policy manual and the ARIA Derivatives Securities Policy which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

ARIA'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 ARIA by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. ARIA has determined that the appointment of these managers is appropriate for the 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.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

15. FINANCIAL INSTRUMENTS (continued)

(f) Credit risk (continued)

In its capacity as trustee of ARIA Investments Trust, ARIA has adopted a policy of spreading the aggregate value of transactions across approved counterparties with approved credit qualities, as a means of mitigating financial loss. The 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 2010 or 30 June 2009.

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:

	2010	2009
	$'000	$'000
Investments		
Pooled superannuation trust	**1 946 307**	1 240 513
Other financial assets		
Cash and cash equivalents	**101 853**	76 915
Sundry debtors	**473**	170
Total financial assets	**2 048 633**	1 317 598

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 2009 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.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

15. FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk (continued)

ARIA undertakes forecasting and scenario testing of the cashflow requirements of the scheme to ensure timely access to sufficient cash and actively-traded, highly-liquid investments to meet anticipated funding requirements. As a further risk mitigation strategy, it is the Trustees policy that the underlying investments of the 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 (2009: within 3 months). At 30 June 2010 the Plan's total exposure to liquidity risk was $1937.3 million relating to vested benefits (2009: $1255.9 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 ARIA'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.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

15. 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 2010 and 30 June 2009 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, ARIA 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 1.5% p.a. increase or decrease in interest rates (2009: 0.75%), 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 1.5% 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
2010		-1.50%		+1.50%	
Cash and cash equivalents	101 853	(1 528)	(1 528)	1 528	1 528
2009		-0.75%		+0.75%	
Cash and cash equivalents	76 915	(577)	(577)	577	577

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

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

15. 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, ARIA 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 1.5% (2009: 0.75%) 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:

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

15. 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
	-1.50%		(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)	(1290)
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)

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Price risk (continued)

2009

Investment option	**Volatility factors**	**Carrying amount $'000**	Benefits accrued $'000	Net assets available to pay benefits $'000
Balanced	+5%	11 122	556	556
	-5%		(556)	(556)
Aggressive	+14%	31 942	4 472	4 472
	-14%		(4 472)	(4 472)
Australian Shares	+21%	14 738	3 095	3 095
	-21%		(3 095)	(3 095)
Cash	+0.75%	28 621	215	215
	-0.75%		(215)	(215)
Conservative	+4%	9 715	389	389
	-4%		(389)	(389)
International Shares Hedged	+19%	1 966	374	374
	-19%		(374)	(374)
International Shares Unhedged	+18%	1 063	191	191
	-18%		(191)	(191)
Bonds Fixed Interest	+4%	3 694	148	148
	-4%		(148)	(148)
Property	+5%	5 444	272	272
	-5%		(272)	(272)
Sustainable	+19%	3 764	715	715
	-19%		(715)	(715)
Trustee Choice	+8%	1 128 444	90 276	90 276
	-8%		(90 276)	(90 276)
	Total increase		**100 703**	**100 703**
	Total decrease		**(100 703)**	**(100 703)**

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

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

15. FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurements

The Schemes' financial instruments, as disclosed in note 15(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 are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2010				
Financial Assets				
Pooled superannuation trusts	-	1 946 307	-	1 946 307
2009				
Financial Assets				
Pooled superannuation trusts	-	1 240 513	-	1 240 513

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.

PSSap financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

16. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Plan had no capital or other expenditure commitments at 30 June 2010 (2009: $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 (2009: $nil).

17. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2010 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.

ARIA

12. Financial statements

ARIA financial statements

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance and Deregulation

Scope

I have audited the accompanying financial statements of Australian Reward Investment Alliance for the year ended 30 June 2010, 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.

The Responsibility of the Chief Executive for the Financial Statements

The Australian Reward Investment Alliance's Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have 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 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

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

ARIA financial statements

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 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 Australian Reward Investment Alliance's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Australian Reward Investment Alliance's 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.

Auditor's 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 2010 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

Carla Jago
Executive Director

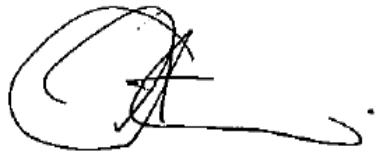
Delegate of the Auditor-General

Canberra
16 September 2010

ARIA financial statements

AUSTRALIAN REWARD INVESTMENT ALLIANCE
STATEMENT BY CHAIRMAN AND CHIEF EXECUTIVE

In our opinion, the attached financial statements for the year ended 30 June 2010 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

16 September 2010

Lochiel Crafter
Chief Executive Officer

16 September 2010

ARIA financial statements

AUSTRALIAN REWARD INVESTMENT ALLIANCE
STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2010

	Notes	2010 $'000	2009 $'000
EXPENSES			
Employee benefits	4.1	9 747	9 259
Supplier expenses	4.2	5 052	5 945
Depreciation and amortisation	4.3	490	464
Losses from asset sales	4.4	5	7
Write-down and impairment of assets	4.5	68	-
Total expenses		**15 362**	**15 675**
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	5.1	15 458	16 733
Total own-source revenue		**15 458**	**16 733**
Gains			
Other gains	5.2	29	24
Total Gains		**29**	**24**
Total own-source income		**15 487**	**16 757**
Net cost of services and surplus attributable to the Australian Government		**125**	**1 082**
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		(78)	-
Total other comprehensive income		**(78)**	-
Total comprehensive income attributable to the Australian Government		**47**	**1 082**

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

ARIA financial statements

AUSTRALIAN REWARD INVESTMENT ALLIANCE
BALANCE SHEET
As at 30 June 2010

	Notes	2010 $'000	2009 $'000
ASSETS			
Financial Assets			
Cash and cash equivalents	6.1	3 832	2 593
Trade and other receivables	6.2	1 195	1 114
Total financial assets		**5 027**	**3 707**
Non-Financial Assets			
Property, plant and equipment	7.1	2 044	2 120
Other non-financial assets	7.2	48	63
Total non-financial assets		**2 092**	**2 183**
TOTAL ASSETS		**7 119**	**5 890**
LIABILITIES			
Payables			
Suppliers	8.1	167	163
Other payables	8.2	2 142	1 103
Total payables		**2 309**	**1 266**
Provisions			
Employees	9.1	1 106	967
Total provisions		**1 106**	**967**
TOTAL LIABILITIES		**3 415**	**2 233**
NET ASSETS		**3 704**	**3 657**
EQUITY			
Contributed equity		1 343	1 343
Reserves		511	589
Retained surplus		1 850	1 725
TOTAL EQUITY		**3 704**	**3 657**
Current assets		**5 075**	**3 770**
Non-current assets		**2 044**	**2 120**
Current liabilities		**2 978**	**1 895**
Non-current liabilities		**437**	**338**

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

ARIA financial statements

AUSTRALIAN REWARD INVESTMENT ALLIANCE
STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2010

	Retained Earnings		Asset Revaluation		Contributed Equity/Capital		Total Equity	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**
Opening Balance	**1 725**	643	**589**	589	**1 343**	1 343	**3 657**	2 575
Comprehensive income								
Other comprehensive income - Changes in asset revaluation reserves	-	**-**	**(78)**	**-**	-	**-**	**(78)**	**-**
Surplus for the period	**125**	1 082	-	**-**	-	**-**	**125**	1 082
Total comprehensive income	**125**	1 082	**(78)**	**-**	-	**-**	**47**	1 082
Closing balance attributable to the Australian Government	**1 850**	1 725	**511**	589	**1 343**	1 343	**3 704**	3 657

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

ARIA financial statements

AUSTRALIAN REWARD INVESTMENT ALLIANCE
CASH FLOW STATEMENT
For the period ended 30 June 2010

	Notes	2010 $'000	2009 $'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		16 459	16 448
Total cash received		**16 459**	**16 448**
Cash used			
Employees		9 577	8 888
Suppliers		5 076	6 037
Total cash used		**14 653**	**14 924**
Net cash from operating activities	10	**1 806**	**1 523**
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant and equipment		-	-
Total cash received		**-**	**-**
Cash used			
Purchase of property, plant and equipment		567	304
Total cash used		**567**	**304**
Net cash from (used by) investing activities		**(567)**	**(304)**
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		1 239	1 219
Cash at beginning of the reporting period		2 593	1 374
Cash at end of the reporting period	6.1	**3 832**	**2 593**

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

ARIA financial statements

AUSTRALIAN REWARD INVESTMENT ALLIANCE
SCHEDULE OF COMMITMENTS
As at 30 June 2010

	2010	2009
BY TYPE	**$'000**	**$'000**
Commitments receivable		
GST recoverable on commitments	360	463
Total commitments receivable	**360**	**463**
Commitments payable		
Other commitments		
Operating leases[1]	(3 974)	(5 099)
Total other commitments	**(3 974)**	**(5 099)**
Net commitments by type	**(3 614)**	**(4 636)**
BY MATURITY		
Commitments receivable		
One year or less	105	102
From one to five years	255	361
Over five years	-	-
Total other commitments	**360**	**463**
Operating lease commitments		
One year or less	(1 159)	(1 125)
From one to five years	(2 815)	(3 974)
Over five years	-	-
Total operating lease commitments	**(3 974)**	**(5 099)**
Net commitments by maturity	**(3 614)**	**(4 636)**

[1] Operating leases included are effectively non-cancellable and comprise of lease for office accommodation. Lease payments are subject to periodic CPI or indexed increases.

ARIA financial statements

AUSTRALIAN REWARD INVESTMENT ALLIANCE
SCHEDULE OF CONTINGENCIES
As at 30 June 2010

	Guarantees		Indemnities		Claims for Damages/ Costs		Total	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'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.

ARIA financial statements

AUSTRALIAN REWARD INVESTMENT ALLIANCE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the period ended 30 June 2010

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.

In its capacity as a prescribed agency under the *Financial Management and Accountability Act 1997* , ARIA conducts these activities through the ARIA Special Account, an account held with the Reserve Bank of Australia.

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's sole source of income is from external sources, and therefore no appropriations are included.

During the period ended 30 June 2010, ARIA's activities were funded through:

(i) an agreed share of the 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; and

(ii) charges to the ARIA Investments Trust to recover the cost of administering and managing the PSS Fund, CSS Fund and PSSap Fund.

ARIA financial statements

1.2 Basis of Preparation of the Financial Report

The financial statements and notes are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

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 2009; 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 FMO, 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 Agreements Equally Proportionately Unperformed 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 no judgements that have significant impact on the amounts recorded in the financial statements.

ARIA financial statements

1.4 Changes in Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. Of the new standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board that are applicable to the current period, the following are considered relevant to ARIA. The new standards applied have not had a material financial impact on ARIA's financial statements.

Standard / Interpretation	Effective for annual reporting periods on or after
AASB 101 'Presentation of Financial Statements' and consequential amendments **(AASB 2007-8 and AASB 2007-10)** to other accounting standards resulting from its issue.	1 January 2009
AASB 2008-5 'Amendments arising from the first annual improvements project' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009
AASB 2009-2 'Amendments to Australian Accounting Standards - Improving disclosures about Financial Instruments' and consequential amendments to other accounting standards resulting from its issue.	1 January 2009

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.

ARIA financial statements

Standard / Interpretation	Effective for annual reporting periods on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 'Further amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010	30 June 2011
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.

ARIA recovers expenses incurred in respect of the investment and management of the CSS Fund, PSS Fund, and PSSap Fund, from the ARIA Investments Trust.

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 financial statements

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.

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.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

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.

ARIA financial statements

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.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

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.

ARIA financial statements

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.

Other financial 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.

ARIA financial statements

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:

	2010	**2009**
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 years	7 to 15 years

Impairment

All assets are assessed for impairment at 30 June 2010. 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.

ARIA financial statements

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 four years (2008-09: four years).

All software assets are assessed for indications of impairment as at 30 June 2010.

1.16 Taxation

The Agency 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 Balance Sheet Date

No matters have occurred since 30 June 2010 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.

ARIA financial statements

		2010 $'000	2009 $'000
Note 4	**Expenses**		
4.1	**Employee Benefits**		
	Wages and salaries	8 492	8 026
	Superannuation	1 139	1 037
	Leave and other entitlements	116	196
	Total employee benefits	**9 747**	**9 259**
4.2	**Suppliers**		
	Provision of goods - external parties	262	354
	Rendering of services - related entities	390	386
	Rendering of services - external parties	3 372	3 905
	Operating lease rentals - external parties:		
	Minimum lease payments	985	1 278
	Workers compensation premiums	43	22
	Total supplier expenses	**5 052**	**5 945**
4.3	**Depreciation and Amortisation**		
	Depreciation		
	Leasehold improvements	296	290
	Infrastructure, plant and equipment	172	166
	Total depreciation	**468**	**456**
	Amortisation		
	Computer Software	22	8
	Total amortisation	**22**	**8**
	Total depreciation and amortisation	**490**	**464**
4.4	**Losses from Asset Sales**		
	Infrastructure, plant and equipment:		
	Carrying value of assets sold	5	7
	Total losses from asset sales	**5**	**7**
4.5	**Write-Down and Impairment of Assets**		
	Asset write-downs and impairment from:		
	Revaluation	68	-
	Total asset write-downs and impairment	**68**	**-**

ARIA financial statements

		2010 $'000	2009 $'000
Note 5	**Income**		
	Revenues		
5.1	**Sale of Goods and Rendering of Services**		
	Provision of services - related entities	4 436	5 251
	Provision of services - external parties	11 022	11 482
	Total sale of goods and rendering of services	**15 458**	**16 733**
	Gains		
5.2	**Other Gains**		
	Resources received free of charge	29	24
	Total other gains	**29**	**24**

ARIA financial statements

	2010 $'000	2009 $'000
Note 6 Financial Assets		
6.1 Cash and Cash Equivalents		
Special Account	3 832	2 593
Total cash and cash equivalents	**3 832**	**2 593**
6.2 Trade and Other Receivables		
Goods and services:		
Goods and services - external parties	926	641
Total receivables for goods and services	**926**	**641**
Other receivables:		
GST receivable from the Australian Taxation Office	140	72
Accrued Revenue	129	401
Total other receivables	**269**	**473**
Total trade and other receivables	**1 195**	**1 114**
Receivables are expected to be recovered in:		
No more than 12 months	1 195	1 114
More than 12 months	-	-
Total trade and other receivables	**1 195**	**1 114**
Receivables are aged as follows:		
Not overdue	1 195	1 114
Overdue by:		
0 to 30 days	-	-
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	-	-
Total receivables	**1 195**	**1 114**

No impairment on trade and other receivables was noted.

ARIA financial statements

	2010 $'000	2009 $'000
Note 7 Non-Financial Assets		
7.1 Property, Plant and Equipment		
Land and Buildings		
Leasehold improvements		
Fair value	1 915	1 992
Accumulated depreciation	(762)	(466)
Total land and buildings:	**1 153**	**1 526**
Infrastructure, Plant and Equipment		
Infrastructure, Plant and Equipment:		
Gross carrying value (at fair value)	1 139	799
Accumulated depreciation	(399)	(237)
Total infrastructure, plant and equipment:	**740**	**562**
Intangibles		
Computer software at cost:		
Acquired - in use	181	40
Accumulated depreciation	(30)	(8)
Total intangibles:	**151**	**32**
Total Property, Plant and Equipment		
Property, Plant and Equipment:		
Carrying value	3 235	2 831
Accumulated depreciation	(1 191)	(711)
Total property, plant and equipment:	**2 044**	**2 120**
7.2 Other Non-Financial Assets		
Prepaid Expenditure	48	63
Total other non-financial assets	**48**	**63**

ARIA financial statements

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 (2009-10)

	Leasehold Improvements	Other IP and E	Software	Total
	$'000	$'000	$'000	$'000
As at 1 July 2009				
Gross book value	1 992	799	40	**2 831**
Accumulated depreciation/amortisation	(466)	(237)	(8)	**(711)**
Net book value 1 July 2009	**1 526**	**562**	**32**	**2 120**
Additions:				
By purchase	-	427	141	**568**
Revaluations recognised in the operating result	-	(68)	-	**(68)**
Revaluations recognised directly in equity	(78)	-	-	**(78)**
Depreciation/amortisation expense	(296)	(172)	(22)	**(489)**
Disposals:				
Gross book value	-	(18)	-	**(18)**
depreciation/amortisation	-	10	-	**10**
Net book value 30 June 2010	**1 152**	**741**	**151**	**2 044**
Net book value as of 30 June 2010 represented by:				
Gross book value	1 914	1 140	181	**3 235**
Accumulated depreciation and amortisation	(761)	(399)	(30)	**(1 191)**
	1 153	**741**	**151**	**2 044**

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 (2008-09)

	Leasehold Improvements	Other IP and E	Software	Total
	$'000	$'000	$'000	$'000
As at 1 July 2008				
Gross book value	2 275	516	-	**2 791**
Accumulated depreciation/amortisation and impairment	(265)	(241)	-	**(506)**
Net book value 1 July 2008	**2 010**	**274**	**-**	**2 285**
Additions:				
By purchase	191	143	13	**347**
Reclassification	(344)	317	27	**-**
Depreciation/amortisation expense	(290)	(166)	(8)	**(464)**
Other movements (give details below):				
Adjust 1 July 08 opening balances:				
Gross book value	(89)	(171)	-	**(260)**
depreciation/amortisation	89	171	-	**260**
Other disposals	(41)	(7)	-	**(48)**
Net book value 30 June 2009	**1 526**	**562**	**32**	**2 120**
Net book value as of 30 June 2009 represented by:				
Gross book value	1 992	799	40	**2 831**
Accumulated depreciation/amortisation and impairment	(466)	(237)	(8)	**(711)**
	1 526	**562**	**32**	**2 120**

ARIA financial statements

	2010 $'000	2009 $'000
Note 8 Payables		
8.1 Suppliers		
Trade Creditors	167	163
Total supplier payables	**167**	**163**
Supplier payables expected to be settled within 12 months:		
Related entities	167	163
Total supplier payables	**167**	**163**

Settlement is usually made within 30 days.

8.2 Other Payables		
GST payable to the Australian Taxation Office	281	309
Accrued Expenses	138	98
Accrued Salaries	152	126
Unearned Revenue	1 044	-
Lease Payable	527	570
Total other payables	**2 142**	**1 103**
Total other payables are expected to be settled in:		
No more than 12 months	2 142	1 103
Total other payables	**2 142**	**1 103**

Unearned revenue represents funding received in advance from a Commonwealth entity for anticipated expenses.

Note 9 Provisions		
9.1 Employee Provisions		
Leave	1 085	959
Other	21	8
Total employee provisions	**1 106**	**967**
Employee provisions are expected to be settled in:		
No more than 12 months	668	629
More than 12 months	438	338
Total employee provisions	**1 106**	**967**

ARIA financial statements

	2010 $'000	2009 $'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	3 832	2 593
Balance sheet	3 832	2 593
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	125	1 082
Adjustments for non-cash items		
Depreciation / amortisation	490	464
Loss/(gain) on disposal of assets	5	7
Revaluation of non-financial assets	68	-
Changes in assets/liabilities		
(Increase)/decrease in net receivables	(285)	2 320
Decrease in prepayments	15	46
Decrease in GST receivable	(68)	243
(Increase)/decrease in accrued revenue	272	(401)
Increase/(decrease) in employee provisions	140	122
Increase/(decrease) in supplier payables	4	(950)
Increase/(decrease) in accrued expenses	40	98
Increase/(decrease) in accrued salaries	26	126
Increase/(decrease) in GST payable	(28)	(134)
Increase/(decrease) in unearned revenue	1 044	(2 070)
(Increase)/decrease in other payables	(42)	570
Net cash from operating activities	**1 806**	**1 523**

ARIA financial statements

	2010	2009

Note 11 Actual Remuneration Paid to Senior Executives

11.1 Executive Remuneration

The number of senior executives who received:

$145 000 to $159 999	1	-
$160 000 to $174 999	-	2
$175 000 to $189 999	2	1
$205 000 to $219 999	1	-
$265 000 to $279 999	-	1
$385 000 to $399 999	1	-
$450 000 to $464 999	-	1
$600 000 to $614 999	-	1
$685 000 to $699 999	1	1
$1 000 000 to $1 014 999	1	-
Total	**7**	**7**

* Excluding acting arrangements and part-year service.

Total expense recognised in relation to Senior Executive employment

	$	$
Short-term employee benefits:		
Salary (including annual leave taken)	2 195 550	1 868 671
Changes in annual leave provisions	(4 953)	(7 051)
Performance bonus	286 215	332 100
Other[1]	13 821	4 077
Total Short-term employee benefits	**2 490 633**	**2 197 797**
Superannuation (post-employment benefits)	337 112	337 137
Other long-term benefits	45 371	16 030
Total	**2 873 116**	**2 550 964**

During the year ARIA paid $0 in termination benefits to senior executives (2009: $0).

Notes

1. "Other" includes motor vehicle allowances and other allowances.

Note 11 Actual Remuneration Paid to Senior Executives (continued)

11.2 Salary Packages for Senior Executives as at 30 June

Average annualised remuneration packages for substantive Senior Executives

	As at 30 June 2010			As at 30 June 2009		
	No.	Base salary (inc. annual leave)	Total remuner-ation package[1]	No.	Base salary (inc. annual leave)	Total remuner-ation package[1]
Total remuneration*:						
$145 000 to $159 999	1	133 250	158 725	-	-	-
$160 000 to $174 999	-	-	-	2	120 421	163 695
$175 000 to $189 999	2	142 975	178 530	1	147 024	184 115
$205 000 to $219 999	1	176 064	214 388	-	-	-
$265 000 to $279 999	-	-	-	1	178 059	274 611
$385 000 to $399 999	1	313 371	388 552	-	-	-
$450 000 to $464 999	-	-	-	1	284 114	462 132
$600 000 to $614 999	-	-	-	1	451 042	606 901
$685 000 to $699 999	1	469 325	698 035	1	567 591	695 816
$1 000 000 to $1 014 999	1	817 591	1 010 987	-	-	-
Total	**7**			**7**		

* Excluding acting arrangements and part-year service.

Notes

1. Non-Salary elements available to Senior Executives include:
   (a) Performance Bonus
   (b) Motor vehicle allowance
   (c) Superannuation
   (c) Long Service Leave

In addition to these total remuneration packages, employees maybe eligible for long service leave

ARIA financial statements

	2010	2009

Note 12 Actual Remuneration Paid to Trustees

12.1 Trustee Remuneration

The number of trustees who received:

$0 to $14 999	2	1
$15 000 to $29 999	1	-
$30 000 to $44 999	-	-
$45 000 to $59 999	5	4
$60 000 to $74 999	1	1
$90 000 to $104 999	-	1
Total	**9**	**7**

Total expense recognised in relation to Trustee employment

Short-term employee benefits:		
Salary (including annual leave taken)	318 915	337 652
Other[1]	2 208	-
Total Short-term employee benefits	**321 123**	**337 652**
Superannuation (post-employment benefits)	40 452	38 462
Total	**361 575**	**376 114**

During the year ARIA paid $0 in termination benefits to trustees (2009: $0)

Notes

1. "Other" includes motor vehicle allowances and other allowances.

ARIA financial statements

Note 12 Actual Remuneration Paid to Trustees (continued)

12.2 Salary Packages for Trustees as at 30 June

Average annualised remuneration packages for Trustees

	As at 30 June 2010			As at 30 June 2009		
	No.	Base salary (inc. annual leave)	Total remuner-ation package[1]	No.	Base salary (inc. annual leave)	Total remuner-ation package[1]
Total remuneration*:						
$0 to $14 999[2]	1	8 130	8 862	1	7 886	8 596
$15 000 to $29 999	-	-	-	-	-	-
$30 000 to $44 999	-	-	-	-	-	-
$45 000 to $59 999	3	47 007	51 237	4	45 701	50 852
$60 000 to $74 999	2	54 765	65 883	1	54 628	63 466
$90 000 to $104 999	-	-	-	1	92 336	100 646
$105 000 to $119 999	1	95 160	109 815	-	-	-
Total	**7**			**7**		

* Excluding acting arrangements and part-year service.

Notes

1. Non-Salary elements available to Trustees include:
   (a) Motor vehicle allowance
   (b) Superannuation
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. They diid not act as a trustee in the year ended 30 June 2010.

ARIA financial statements

	2010 $'000	2009 $'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:	**29**	**24**

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 $6,061.

The fair value of non-audit services provided by Deloitte:

Tax services - International	**9**	10

No other services were provided by the Auditor-General.

ARIA financial statements

Note 14 Financial Instruments

14.1 Categories of Financial Instruments

	Notes	2010 $'000	2009 $'000
Financial Assets			
Loans and receivables:			
Cash and cash equivalents	6.1	3 832	2 593
Trade receivables	6.2	926	641
Carrying amount of financial assets		**4 758**	**3 234**
Financial Liabilities			
At amortised cost:			
Supplier payables	8.1	167	163
Operating Lease Payable	8.2	527	570
Carrying amount of financial liabilities		**694**	**733**

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 2010.

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.

ARIA financial statements

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 (2010: $926 000 and 2009: $641 000). 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 2010 $'000	Not past due or impaired 2009 $'000	Past due or impaired 2010 $'000	Past due or impaired 2009 $'000
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	3 832	2 593	-	-
Trade receivables	926	641	-	-
Total Financial Assets	**4 758**	**3 234**	**-**	**-**

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
Total	**926**	**-**	**-**	**-**	**926**

Ageing of financial assets that were past due but not impaired for 2009

	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	641	-	-	-	641
Total	**641**	**-**	**-**	**-**	**641**

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 2010

	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Other liabilities					
Supplier payables	167	-	-	-	**167**
Lease Payable	58	91	378	-	**527**
Total	**226**	**91**	**378**	**-**	**695**

Maturities for non-derivative financial liabilities 2009

	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Other financial liabilities					
Supplier payables	163	-	-	-	**163**
Lease Payable	186	85	256	43	**570**
Total	**349**	**85**	**256**	**43**	**732**

ARIA has no derivative financial liabilities in both the current and prior year.

ARIA financial statements

Note 15 Special Accounts

ARIA Special Account (Departmental)		**2010 $'000**	**2009 $'000**
Appropriation:	*Financial Management and Accountability Act 1997* ; section 21		
Establishing Instrument:	Financial Management and Accountability Determination; 2007/04		
Purpose:	For ARIA to administer the expenditure related to the administration of the CSS, PSS and PSSap Schemes		
		2010 $'000	**2009 $'000**
Balance brought forward from previous period		2 593	1 374
Appropriation for reporting period		-	-
Costs recovered		17 622	17 751
GST credits (FMA Act section 30A)		489	831
Total increase		**20 704**	**19 956**
Payments made to suppliers			
Employees		9 577	8 888
Suppliers		5 565	6 868
GST paid		1 163	1 303
Purchase of property, plant and equipment		567	304
Total decrease		**16 872**	**17 363**
Balance carried to next period (excluding investment balances) and represented by:		**3 832**	**2 593**
Cash - held in the Official Public Account		-	-
Cash – held by the agency		3 832	2 593
Total balance carried to the next period		**3 832**	**2 593**

ARIA financial statements

	2010 $'000	2009 $'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	4 753 314	6 099 733
Closing balance	4 789 427	4 753 314
PSS		
Opening balance	10 038 966	11 423 724
Closing balance	11 443 051	10 038 966
PSSap		
Opening balance	1 317 828	967 540
Closing balance	2 049 103	1 317 828

ARIA financial statements

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	
	2010 $'000	2009 $'000
Expenses		
Departmental	15 362	15 674
Total expenses	**15 362**	**15 674**
Income from non-government sector		
Departmental		
Activities subject to cost recovery	15 487	16 757
Total income	**15 487**	**16 757**
Net cost/(contribution) of outcome delivery	**(125)**	**(1 083)**

Note 17 Reporting of Outcomes (continued)

17.2 Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcomes

Outcome 1	**2010 $'000**	**2009 $'000**
Departmental Expenses:		
Employees	9 747	9 259
Suppliers	5 052	5 945
Depreciation and amortisation	490	464
Losses from asset sales	5	7
Write-Down and Impairment of Assets	68	-
Total	**15 362**	**15 674**
Departmental Income:		
Sale of goods and rendering of services	15 458	16 733
Other Gains	29	24
Total	**15 487**	**16 757**
Departmental Assets:		
Cash and Cash Equivalents	3 832	2 593
Trade and Other Receivables	1 195	1 114
Other Financial Assets	48	63
Infrastructure, Plant and Equipment	1 893	2 088
Intangibles	151	32
Total	**7 119**	**5 890**
Departmental Liabilities:		
Suppliers	167	163
Other Payables	2 142	1 103
Employee Provisions	1 106	967
Total	**3 415**	**2 233**

13. Appendices

Appendix A: Changes to legislation

Changes to legislation

The *Superannuation Act 1976* (CSS Act)

The *Fair Work (State Referral and Consequential and Other Amendments) Act 2009* amended the CSS Act to include the definition of an 'industrial award' to incorporate amendments as a result of the *Fair Work Act 2009*. These amendments had effect from 1 July 2009.

The *Superannuation Act 1990* (PSS Act)

The *Fair Work (State Referral and Consequential and Other Amendments) Act 2009* amended the PSS Act to include the definition of an 'industrial award' to incorporate amendments as a result of the *Fair Work Act 2009*. These amendments had effect from 1 July 2009. There have been no amendments to the PSS Trust Deed.

The *Superannuation Act 2005* (PSSap Act)

There have been no amendments to the PSSap Act. There have been no amendments to the PSSap Trust Deed.

Appendix B: Organisation chart

Organisation chart

Chairman
Tony Hyams

Chief Executive Officer
Lochiel Crafter

Chief Investment Officer
Alison Tarditi

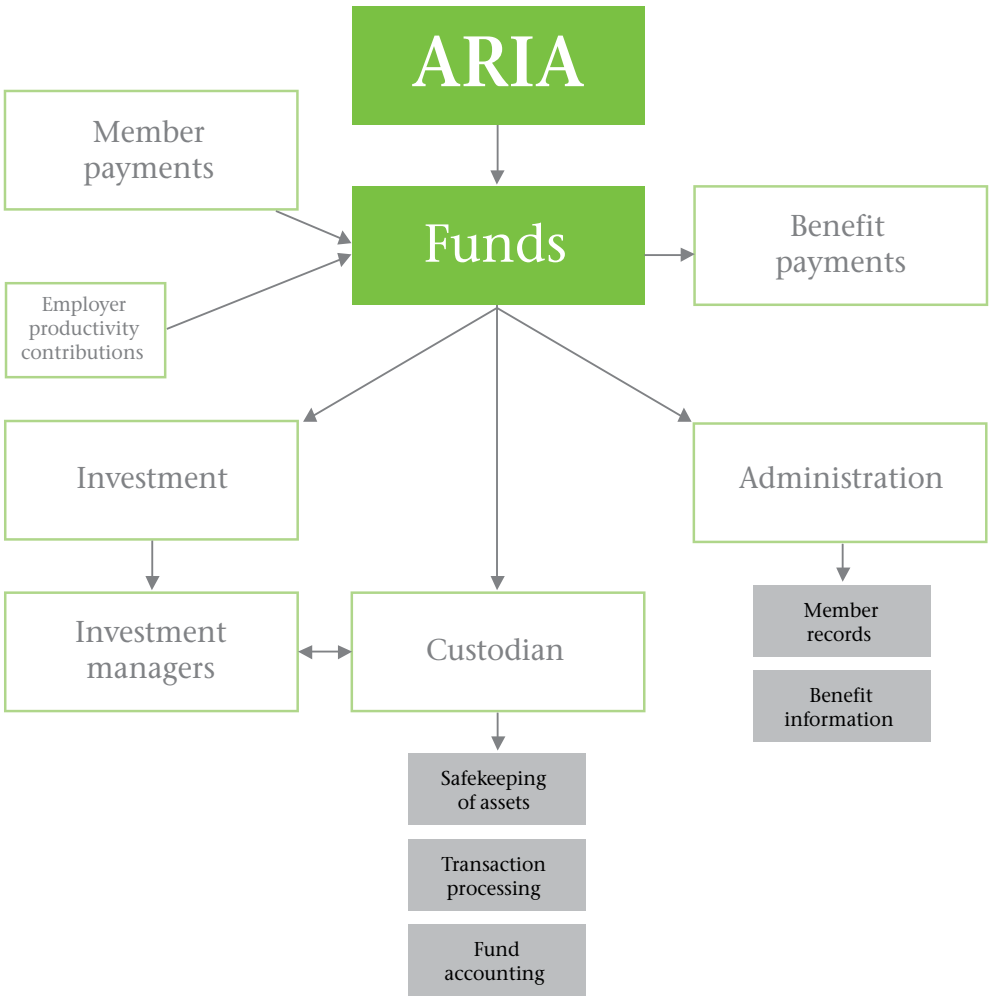
- Investment strategy and policy
- Fund analysis
- Investment performance
- Manager assessment and review
- Manager monitoring and relationship
- Investment governance
- Transaction analysis and assessment (alternatives)

Chief Operating Officer
Peter Carrigy-Ryan

- Investment operations
- Board services
- Finance
- Communications
- Legal and risk
- Policy and projects
- Business services
- Human resources

Appendix C: Functional chart

Functional chart



Appendix D: Access to information

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 2009/10.

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 Financial Framework Division of the Department of Finance and Deregulation, which has responsibility for advising the Minister for Finance and Deregulation on such matters.

Categories of documents

In accordance with an enactment, other than the *Freedom of Information Act 1982* (FOI Act) where access is subject to a fee or other charge, 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.

Appendix D: Access to information – cont'

Freedom of information procedures

Matters associated with the administration of the FOI Act relating to members and their 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.

Table A1: Freedom of information requests 2009/10

	CSS	PSS	PSSap	Total
Total number of requests	34	47	1	**82**
Number fully granted	33	42	0	**75**
Number partially granted	1	1	0	**2**
Number refused	0	0	0	**0**
Number transferred to other agencies	0	0	0	**0**
Number of requests for internal review under section 154	0	1	0	**1**
Number of appeals lodged with the AAT (section IV of the FOI Act)	0	1	0	**1**
Not finalised – consultation in progress	0	2	1	**3**
Number withdrawn	0	1	0	**1**

Note: This table includes both ARIA and ComSuper statistics.

Appendix E: Publications

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.

All of the below publications are available by calling our customer service centre or online at the relevant scheme website.

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

Pensions

Death benefits
Good news about completing your tax return
Tax and your CSS benefit
Tax and your PSS benefit
Service charter of our administrator ComSuper
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)

Appendix E: Publications – cont'

Quick guides – cont'

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

Appendix E: Publications – cont'

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)
Invalidity 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

Appendix E: Publications – cont'

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 invalidity 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

Appendix E: Publications – cont'

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

Appendix F: Contact officer

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 10 12 Moore 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

Appendix G: List of requirements

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 2009/10.

Description	Requirement	Page
Letter of transmittal	Mandatory	v
Table of contents	Mandatory	vii
Index	Mandatory	249
Glossary	Mandatory	248
Contact officer(s)	Mandatory	238
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, 23
Overview of department's performance and financial results	Suggested	7-8, 11-32
Outlook for following year	Suggested	xix
Overview description of department	Mandatory	11-15, 230
Role and functions	Mandatory	2, 6, 18, 230
Organisational structure	Mandatory	230
Outcome and program structure	Mandatory	10
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	11-32
Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	11-32
Performance of purchaser/provider arrangements	Suggested	8, 18-19
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	6, 11-32
Trend information	Mandatory	35, 39

Appendix G: List of requirements – cont'

Description	Requirement	Page
Factors, events or trends influencing departmental performance	Suggested	xvii, 23-26
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	39-42
Contribution of risk management in achieving objectives	Suggested	9
Social justice and equity impacts	Suggested	-
Discussion and analysis of the department's financial performance	Mandatory	7-8
Discussion of any significant changes from the prior year or from budget	Suggested	xiii, xvii, 23-29
Agency resource statement and summary resource tables by outcomes	Mandatory	246
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	xix
Statement of the main corporate governance practices in place	Mandatory	9, 31
Names of the senior executive and their responsibilities	Suggested	229
Senior management committees and their roles	Suggested	-
Corporate and operational planning and associated performance reporting and review	Suggested	6-7
Approach adopted to identifying areas of significant financial or operational risk and arrangements in place to manage risks	Suggested	9-10
Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines	Mandatory	10
Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	9
How nature and amount of remuneration for SES officers is determined	Suggested	6
Significant developments in external scrutiny	Mandatory	39-42
Judicial decisions and decisions of administrative tribunals	Mandatory	41
Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	42
Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	6-7
Workforce planning, staff turnover and retention	Suggested	6
Impact and features of enterprise or collective agreements, determinations, common law contracts and AWAs	Suggested	-

Appendix G: List of requirements – cont'

Description	Requirement	Page
Training and development undertaken and its impact	Suggested	7
Occupational health and safety performance	Suggested	7
Productivity gains	Suggested	-
Statistics on staffing	Mandatory	6
Certified agreements, determinations, common law contracts and AWAs	Mandatory	-
Performance pay	Mandatory	6
Assessment of effectiveness of assets management	Mandatory	8
Assessment of purchasing against core policies and principles	Mandatory	8
Summary statement detailing new consultancy services contracts let during the year	Mandatory	242-243
Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	-
Contracts exempt from the AusTender	Mandatory	242-243
Report on performance in implementing the Commonwealth Disability Strategy	Mandatory	245
Financial statements	Mandatory	43-225
Occupational health and safety (section 74 of the *Occupational Health and Safety Act 1991)*	Mandatory	7
Freedom of Information (subsection 8 (1) of the *Freedom of Information Act 1982)*	Mandatory	231-232
Advertising and Market Research (Section 311A of the *Commonwealth Electoral Act 1918*) and statement on advertising campaigns	Mandatory	244
Ecologically sustainable development and environmental performance (Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999)*	Mandatory	8
Grant programs	Mandatory	-
Correction of material errors in previous annual report	Mandatory	-
List of requirements	Mandatory	239-241

Appendix H: New consultancies

New consultancies

ARIA engages consultants where a 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 have been 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 2009/10 with a contract value, GST inclusive, of $10,000 or more.

This list includes contracts referring to the administration of the funds and excludes contracts related to the management and investment of the three funds.

Table A2: New consultancies 2009/10

Consultant name	Description	Value $	Selection method	Principle justification
Dymond Foulds & Vaughan	Review of unit pricing policy	47 432	Direct	B
Mercer Human Resource Consulting	Actuarial advice	44 657	Direct	B
DLA Phillips Fox	Advice relating to member claims	59 524	Direct	B
Henry Davis York	Advice relating to insurance	17 358	Direct	B
Mallesons	Advice relating to member annual reports and statements	86 528	Direct	B
Mallesons	Advice relating to product disclosure statement	73 040	Direct	B
ORIMA	Member related research	34 913	Direct	B

Appendix H: New consultancies – cont'

Table A2: New consultancies 2009/10 (continued)

Consultant name	Description	Value $	Selection method	Principle justification
Ipsos	Member survey	32 400	Direct	B
Ipsos	At Work for You research and evaluation	50 622	Direct	B
Mallesons	Advice relating to member claims	23 445	Direct	B
Mallesons	Review of legal claims process	42 220	Direct	B
Total new consultancies		**512 139**		

Selection method categories The selection methods used for consultancies are categorised as follows:	
Open tender	Public tenders are sought from the marketplace using national and major metropolitan newspaper advertising.
Select tender	Tenders are invited from a short list of competent suppliers.
Direct sourcing	Single supplier invited to bid reflecting unique qualifications or circumstances.

Justification categories	
A	Need for access to the latest technology.
B	Need for specialised skills.
C	Need for an independent view.

Appendix I: Advertising and market research

Advertising and market research

In respect of public monies, during 2009/10 the expenditure for advertising and market research on contracts individually more than $11,200 (inclusive of GST) amounted to $104,892 (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 A3: Advertising and market research expenditure 2009/10

Organisation	Purpose	Expenditure $
Ipsos	Member related research	69 979
ORIMA	Member related research	34 913
Total		**104 892**

Appendix J: Commonwealth Disability Strategy

Commonwealth Disability Strategy

The Commonwealth Disability Strategy (CDS) was introduced in 1994 as a ten-year planning framework to assist Australian Government agencies to meet their obligations under the (Commonwealth) *Disability Discrimination Act (1992)*.

Within the framework of the Commonwealth Disability Strategy (CDS), ARIA performs the role of 'provider' with performance measured against the following indicators:

- providers have established mechanisms in place for quality improvement and assurance
- providers have an established service charter that specifies the roles of the provider and consumer, and service standards which address accessibility for people with a disability
- providers have a complaints or grievance mechanism in place, including access to external mechanisms to address issues and concerns raised about performance.

In conjunction with the scheme administrator (ComSuper), ARIA met all the requirements of the CDS in our role as 'provider'.

Under the CDS, Commonwealth Government agencies are obliged to remove barriers which prevent people with a disability from having access to policies, programs and services.

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.

Appendix K: Summary resource table by outcomes

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 2009/10 $'000	Actual expenses 2009/10 $'000	Variation $'000
Price of departmental outputs			
Program 1.1 – Superannuation scheme governance			
Revenue from other sources	16 937	15 362	1 575
Total price of Outputs	16 937	15 362	1 575
Total for Outcome 1	**16 937**	**15 362**	**1 575**

Appendix L: Glossary

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

Appendix L: Glossary – cont'

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

14. Index

Index

Symbols

A

Index

B

C

Index

Index

D

E

F

Index

G

H

I

J

K

L

Index

M

N

O

P

Index

Q

R

S

Index

T

U

V

W

Z

Contact details

Mail
ARIA
GPO Box 1907
Canberra City ACT 2601

Phone
02 6263 6999

Fax
02 6263 6900

Email
secretary@aria.gov.au

Web
www.aria.gov.au
www.css.gov.au
www.pss.gov.au
www.pssap.gov.au